Supreme Court, U.S.
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No. 07-202

IN THE

Supreme Court of the United States

M2 SOFTWARE, INC.,
Petitioner,

v.

VIACOM, INC.; VIACOM INTERNATIONAL, INC.;
MTV NETWORKS COMPANY,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

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PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

The Lanham Trademark Act of 1946, 15 U.S.C. § 1051 *et seq.*, provides a variety of remedies for infringement, including injunctive relief, damages and lost profits. It also authorizes courts to award the plaintiff some portion of the infringer's profits attributable to the infringement. The question presented is:

Whether a trademark owner alleging infringement of a registered mark must show willfulness as a precondition to recovering a portion of the infringer's profits attributable to infringement.

PARTIES TO THE PROCEEDINGS BELOW

Petitioner M2 Software, Inc. was a plaintiff-appellant in the court of appeals. Respondents Viacom, Inc., Viacom International Inc. and MTV Networks Company were defendants-appellees in the court of appeals.

CORPORATE DISCLOSURE STATEMENT

Pursuant to Supreme Court Rule 29.6, petitioner M2 Software, Inc. states that it has no parent corporation and there is no publicly held company owning 10% or more of petitioner's stock.

TABLE OF CONTENTS

	Page
Question Presented	i
Parties To The Proceedings Below	ii
Corporate Disclosure Statement	ii
Opinions Below	1
Statement Of Jurisdiction	2
Statutory Provisions Involved	2
Statement Of The Case	2
Reasons For Granting The Petition	12
I. The Courts Of Appeals Are Divided On Whether Willfulness Is An Across-The-Board Prerequisite To An Award Of An Infringer's Profits	12
II. The Ninth Circuit's Willfulness Prerequisite Contravenes The Act's Text, Structure, And History	20
III. This Case Presents A Recurring Issue Of Substantial Importance	28
Conclusion	30
Appendix A – Court of Appeals Opinion (February 28, 2007)	1a
Appendix B – District Court Permanent Injunction and Final Judgment (September 7, 2004)	8a
Appendix C – District Court Decision Granting Partial Summary Judgment (March 12, 2004)	15a
Appendix D – Court of Appeals Opinion (January 30, 2002)	32a

TABLE OF CONTENTS—Continued

Page

Appendix E – District Court Order Granting Summary Judgment (July 27, 2000) 36a

Appendix F – Court of Appeals Order Denying Rehearing (April 26, 2007) 60a

Appendix G – Extension of Time to File a Petition For A Writ Of Certiorari 62a

Appendix H – Relevant Statutory Provisions 63a

TABLE OF AUTHORITIES

Page

CASES

ALPO Petfoods, Inc. v. *Ralston Purina Co.*, 913 F.2d 958 (D.C. Cir. 1990) 16

A Touch of Class Jewelry Co. v. *J.C. Penney Co., Inc.*, No. CIV. A. 98-2949, 2000 WL 1224804 (E.D. La. August 28, 2000) 18

Banjo Buddies, Inc. v. *Renosky*, 399 F.3d 168 (3d Cir. 2005) 13, 15, 26

Bishop v. *Equinox Int'l Corp.*, 154 F.3d 1220 (10th Cir. 1998) 16

Blau v. *YMI Jeanswear, Inc.*, No. CV 02-09551 FMC (SHSx), 2004 WL 5313967 (C.D. Cal. Jan. 2, 2004) 18

Burger King Corp. v. *Mason*, 855 F.2d 779 (11th Cir. 1988) 13

Cache la Poudre Feeds, LLC v. *Land O' Lakes, Inc.*, 438 F. Supp. 2d 1288 (D. Colo. 2006) 18

Collegenet, Inc. v. *XAP Corp.*, 483 F. Supp. 2d 1058 (D. Ore. 2007) 18

Duncan v. *Walker*, 533 U.S. 167 (2001) 21

Gracie v. *Gracie*, 217 F.3d 1060 (9th Cir. 2000) 10

Hughes Aircraft Co. v. *Jacobson*, 525 U.S. 432 (1999) 23

ISP.NET.LLC v. *Qwest Commc'ns Int'l Inc.*, No. IP01-0480-CBS, 2004 WL 2272145 (S.D. Ind. Sept. 24, 2004) 18

TABLE OF AUTHORITIES—Continued

Page

Inwood Labs., Inc. v. *Ives Labs., Inc.*, 456 U.S. 844 (1982) 29

KP Permanent Make-Up, Inc. v. *Lasting Impression I, Inc.*, 543 U.S. 111 (2004) 25

Kassbaum v. *Steppenwolf Prods., Inc.*, 236 F.3d 487 (9th Cir. 2000) 17

*Lindy Pen Co.*v. *Bic Pen Corp.*, 982 F.2d 1400 (9th Cir. 1993), cert. denied, 510 U.S. 815 (1993) 10, 17, 22

Louis Vuitton S.A. v. *Lee*, 875 F.2d 584 (7th Cir. 1989) 16

M2 Software, Inc. v. *Manmade Multimedia, Inc.*, Opp. No. 91107522 (TTAB Jan. 5, 1999) 8

Mishawaka Rubber & Woolen Mfg. Co. v. *S.S. Kresge & Co.*, 316 U.S. 203 (1942) 17

Moseley v. *V. Secret Catalogue, Inc.*, 537 U.S. 418 (2003) 4, 29

Nike, Inc. v. *Top Brand Co.*, No. 00 Civ. 8179 KMW RLE, 2005 WL 1654859 S.D.N.Y. July 13, 2005) 18

Optimum Techs., Inc. v. *Henkel Consumer Adhesives, Inc.*, No. 1:04-CV-1082-JWT, 2006 WL 1663357 (N.D. Ga. June 14, 2006) 18

Optimum Techs. v. *Home Depot U.S.A., Inc.*, 217 F. App'x 899 (11th Cir. 2007) 13

Park 'N Fly, Inc. v. *Dollar Park and Fly, Inc.*, 469 U.S. 189 (1985) 3

TABLE OF AUTHORITIES—Continued

Page

Pfizer, Inc. v. *Y2K Shipping & Trading, Inc.*, No. 00 CV 5304 (SJ), 2004 WL 896952 (E.D.N.Y. Mar. 26, 2004) 18

Qualitex Co. v. *Jacobson Prods. Co.*, 514 U.S. 159 (1995) 30

Quick Techs., Inc. v. *Sage Group PLC*, 313 F.3d 338 (5th Cir. 2002) 13

Roulo v. *Russ Berrie & Co.*, 886 F.2d 931 (7th Cir. 1989) 13

Russello v. *United States*, 464 U.S. 16 (1983) 15, 21

Sands, Taylor & Wood Co. v. *Quaker Oats Co.*,

978 F.2d 947 (7th Cir. 1992) 17, 26

34 F.3d 1340 (7th Cir. 1994) 13, 14, 15, 26

Seatrax, Inc. v. *Sonbeck Int'l, Inc.*, 200 F.3d 358 (5th Cir. 2000) 13

Two Pesos, Inc. v. *Taco Cabana, Inc.*, 505 U.S. 763 (1992) 29

Web Printing Controls Co. v. *Oxy-Dry Corp.*, 906 F.2d 1202 (7th Cir. 1990) 15, 16

Western Diversified Servs., Inc. v. *Hyundai Motor Am., Inc.*, 427 F.3d 1269 (10th Cir. 2005) 16, 19

STATUTES

The Lanham Trademark Act of 1946, codified as amended 15 U.S.C. §§ 1051, *et. seq* 2

15 U.S.C. § 1051 2

15 U.S.C. § 1057 2

TABLE OF AUTHORITIES—Continued

Page

15 U.S.C. § 1111 ..... 22, 23, 27

15 U.S.C. § 1114(1) ..... *passim*

15 U.S.C. § 1116 ..... 3, 4, 13, 24, 25

15 U.S.C. § 1117 ..... *passim*

15 U.S.C. § 1117(a) (1994) 24

15 U.S.C. § 1125(a) ..... *passim*

15 U.S.C. § 1125(c)(2) (Supp. I 1995 & 2000) 5, 15, 24, 25, 27

15 U.S.C. § 1125(c) 4, 5, 11

28 U.S.C. § 1254(1) 2

Consolidated Appropriations Act, Pub. L. No. 106-113, § 3003(a)(2), 113 Stat. 1501 (1999) 25

Trademark Amendments Act of 1999, Pub. L. No. 106-43, § 3(b), 113 Stat. 218, 219 25

MISCELLANEOUS

D. Conway-Jones, *Remedying Trademark Infringement: The Role of Bad Faith in Awarding an Accounting of Defendant's Profits*, 42 Santa Clara L. Rev. 863 (2002) 19, 23

H.R. Rep. No. 250, 106th Cong., 1st Sess. (1999) 25, 28

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TABLE OF AUTHORITIES—Continued

Page

E. Luciani, *Does The Bad Faith Requirement In Accounting of Profits Damages Make Economic Sense?*, 6 J. Intell. Prop. L. 69 (1998) 19, 26

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H. Weinberger, J. Wagner & N. Simon, *Where There's (Not) A Will (Maybe) There is A Way: What is the Role of Willfullness In Lanham Act Damages Awards?*, 235 N.Y. L. J. 6 28

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PETITION FOR A WRIT OF CERTIORARI

M2 Software, Inc. respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Ninth Circuit in this case.

OPINIONS BELOW

The opinion of the court of appeals (App., *infra*, 1a-7a) is not reported but is available at 2007 WL 649733. The March 12, 2004, decision of the district court (App., *infra*, 15a-31a) is unreported. The September 7, 2004, decision of the district court (App., *infra*, 8a-14a) is unreported. The Ninth Circuit's earlier decision of January 30, 2002, in this case (App., *infra*, 32a-35a) is unreported, but available at 30 F. App'x 710. The district court's decision of July 27, 2000 (App., *infra*, 36a-59a) is reported at 119 F. Supp. 2d 1061 (C.D. Cal.).

STATEMENT OF JURISDICTION

The court of appeals entered its judgment on February 28, 2007. The petition for rehearing and rehearing en banc was denied on April 26, 2007 (App., *infra*, 60a-61a). On July 17, 2007, Justice Kennedy granted an application to extend the time to file a petition for a writ of certiorari to and including August 14, 2007. App., *infra*, 62a. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Relevant provisions of the Lanham Trademark Act of 1946, 15 U.S.C. § 1051 *et seq.*, are set forth in the Appendix, App., *infra*, 63a-92a.

STATEMENT OF THE CASE

This case concerns whether, under the Lanham Act, a trademark owner must always show willfulness to recover a portion of the infringer's profits attributable to infringement. The Fifth, Seventh, and Eleventh Circuits have answered that question in the negative, holding that willfulness is not a prerequisite to the recovery of profits. In the decision below, the Ninth Circuit reached the opposite conclusion, agreeing with the Tenth and D.C. Circuits that a Lanham Act plaintiff cannot recover a defendant's profits from infringement absent proof that infringement was willful.

1. Congress enacted the Lanham Trademark Act of 1946 (the "Lanham Act" or "Act"), 15 U.S.C. § 1051 *et seq.*, to protect the public, promote competition, and prevent unfair competition by "making infringement and piracy" of protected trademarks and other misleading practices "unprofitable." S. Rep. No. 1333, 79th Cong., 2d Sess. 2-3 (1946). Under the Act, a party may register a trademark with the United States Patent and Trademark Office ("PTO") to obtain federal trademark protection. 15 U.S.C. §§ 1051, 1057. Once the trademark is registered, any registrant using the mark in commerce

may bring an infringement action for monetary and injunctive relief against infringing users. See, *e.g.*, 15 U.S.C. §§ 1114(1), 1116. In general, the trademark owner must establish that its trademark is valid, see *Park 'N Fly, Inc.* v. *Dollar Park and Fly, Inc.*, 469 U.S. 189, 194 (1985), and that the alleged infringer's use of the mark "is likely to cause confusion, or to cause mistake, or to deceive," 15 U.S.C. § 1114(1)(a).

a. The Lanham Act establishes distinct causes of action to redress particular types of violations. For example, 15 U.S.C. § 1114(1) creates a cause of action for the unauthorized use of registered trademarks. It contains two categories of infringing uses, one in Subsection (a), and the other in Subsection (b):

> (1) Any person who shall, without the consent of the registrant—
>
> (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services or in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or
>
> (b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with such use which such use is likely to cause confusion, or to cause mistake, or to deceive,

> shall be liable in a civil action by the registrant for the remedies hereinafter provided.

15 U.S.C § 1114(1).

Another provision, 15 U.S.C. § 1125(a), creates a cause of action for trademark owners injured by false designations of origin and false representations of fact. And 15 U.S.C. § 1125(c) creates a cause of action for "dilution" of so-called "famous" marks.[1]

b. The Lanham Act authorizes a variety of remedies. Those include injunctive relief, 15 U.S.C. § 1116, as well as recovery of the "(1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action," all subject "to the principles of equity" and other requirements, 15 U.S.C. § 1117(a). Although Sections 1116 and 1117 set forth in general terms the remedies for most Lanham Act violations, the provisions creating each individual cause of action often condition the availability of specific types of relief on particularized proof such as knowledge or willfulness.

For example, Section 1114(1) establishes special requirements for the recovery of profits or damages for the

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[1] Although the hallmark of traditional trademark infringement is the likelihood of confusion as to source, sponsorship, or affiliation, "dilution" is unique in that it addresses "blurring," "tarnishing," and other uses that tend to lessen the distinctiveness of a famous mark—its capacity uniquely to identify the trademark owner—even absent deception or confusion. See *Moseley* v. *V Secret Catalogue, Inc.*, 537 U.S. 418, 433 (2003). Such blurring or tarnishing can occur when a famous mark is used for a wholly different line of business, such as "Kodak piano[s]," or "Buick aspirin." See *id.* at 431. Such uses might not raise a possibility of confusion as to source—Kodak makes film and cameras, not pianos; Buick does not make pharmaceuticals. But such uses over time would tend to "dilute" the distinctive capacity of the Kodak or Buick mark to connote solely the Eastman-Kodak company or the Buick division of General Motors. See App., *infra*, 55a-56a.

infringement of registered trademarks in violation of Section 1114(1)(*b*). It provides: "Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed *with knowledge* that such imitation is *intended* to be used to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. § 1114(1) (emphasis added). Section 1114(1), however, does not impose that requirement for claims under Section 1114(1)(*a*).

Similarly, the cause of action for "dilution" under Section 1125(c) imposes an express willfulness requirement as a precondition to monetary relief. In particular, Section 1125(c)(5) specifies that the owner of a famous mark is "entitled to injunctive relief" against dilutive uses, but is not entitled to monetary remedies such as damages or the defendant's profits unless (among other things) "the person against whom the injunction was sought *willfully* intended to trade on * * * the famous mark" or "*willfully* intended to harm the reputation of the famous mark." 15 U.S.C. § 1125(c)(5) (emphasis added).[2]

2. This case arises from a trademark dispute between petitioner M2 Software, Inc. ("M2 Software"), and respondents Viacom, Inc., Viacom International, Inc., and MTV Networks Company. M2 Software was founded in 1991 to apply technology to the music bus-

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[2] Until 2006, those requirements appeared in Section 1125(c)(2), which provided that "the owner of a famous mark shall be entitled *only* to injunctive relief * * * *unless* the person against whom the injunction is sought *willfully intended* to trade on the owner's reputation or to cause dilution." 15 U.S.C. § 1125(c)(2) (1994 & Supp. I 1995) (emphasis added). "If such willful intent is proven, the owner of the famous mark" can also obtain profits and damages, "subject to the discretion of the court and the principles of equity." *Ibid.*

iness. App., *infra*, 38a; C.A. E.R. 175-38.[3] The company has created and licensed, under the "M2" brand, music database applications used by major music companies, related music industry services, and a variety of interactive products conveying musical performances. App., *infra*, 38a-39a; see C.A. E.R. 294-85 to 294-86. Those include M2 Software's Record Label Management System, as well as interactive music applications on various media that were distributed to the music industry, on the Internet, and at concerts. App., *infra*, 33a, 38a-39a, 58a. M2 Software has promoted the "M2" brand and corporate identity through various music industry channels, including trade shows, music industry publications, and direct contacts with major record labels. C.A. E.R. 294-15 to 294-21, 175-63 to 175-69, 175-72 to 175-76, 170-102 to 170-112. Myriad record labels, music publishers, and others in the music industry have utilized M2 Software's M2-branded products or services. C.A. E.R. 294-6 to 294-8. When M2 Software first registered its mark, there were no prior registrations of the M2 mark in any related field. C.A. E.R. 180-21, 180-42. Earlier in this case, the Ninth Circuit thus concluded that M2 Software is the "indisputable senior user of the M2 mark." App., *infra*, 34a.[4]

In August of 1996, respondents Viacom, Inc., Viacom International, Inc., and MTV Networks Company (collectively "Viacom") likewise began using the "M2" symbol in

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[3] References to C.A. E.R. xxx-yy are to the Excerpts of Record filed in the Court of Appeals, where xxx identifies the tab number and yy identifies the page number within the tab.

[4] Because M2 Software's mark is "fanciful," it is "deserving of broad trademark protection." App., *infra*, 47a; see 2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 11:4, at 11-12 (4th ed. 2007) ("Fanciful and arbitrary marks are * * * often referred to as strong and are given a broad scope of judicial protection against infringement.").

the music industry with the launch of their "M2: Music Television" venture. App., *infra*, 40a. There is evidence that Viacom was aware of M2 Software's prior use and registration of the M2 mark before Viacom began using that mark itself, and that Viacom decided against alternative marks (such as "MTV2") not already in use because Viacom executives thought the M2 mark more desirable. C.A. E.R. 162-45 (M2 "sounded hipper and more relevant" than MTV2); see 177-35 ("MTV2 just seemed hard to say."). In 1992, a senior vice-president of Viacom's MTV Networks Group met with the president of M2 Software while participating in a major worldwide music industry trade show, MIDEM in Cannes, France, where M2 Software advertised and had a booth. C.A. E.R. 294-15 to 294-21, 20-3, 20-12, 41-8, 175-63. Viacom also conducted a formal trademark search on June 24, 1996, and located M2 Software's federal trademark registration, which identified M2 Software as the owner of the M2 mark, for use (among other things) with "interactive multimedia applications for entertainment * * * in the nature of artists' performances * * * from the * * * music industr[y]." C.A. E.R. 180-8 to 180-12, 180-31 to 180-32. Nonetheless, on August 1, 1996, Viacom proceeded to launch its "M2: Music Television" venture. C.A. E.R. 17-9 to 17-10. Viacom did not contact M2 Software before incorporating the "M2" trademark into that new venture. *Id.* at 180-12, 17-9 to 17-10.

On February 21, 1997, Viacom approached the PTO with a "design-only" application that it labeled "M & Design"; that application did not mention the word "M2." C.A. E.R. 11-80 to 11-83, 11-106 to 11-110 (Ser. Nos. 75/245, 462, 75/245, 616). The design, however, featured a large, bolded "M2." *Ibid.* In addition, although Viacom did list interactive products on its trademark application in the United Kingdom, it omitted those products from its United States application. Thus, a former Assistant

Commissioner for Trademarks at the PTO criticized Viacom for not disclosing the "true nature" of its proposed uses. C.A. E.R. 178-30 to 178-31, 333-102, 333-106. The PTO suspended Viacom's application when it found a prior application to register the M2 mark, and Viacom abandoned its application. *Id.* at 11-129.[5]

When it learned of Viacom's use of the M2 trademark, M2 Software repeatedly sent Viacom letters demanding that it stop infringing M2 Software's protected mark, but Viacom refused. App., *infra*, 20a n.2, 28a; C.A. E.R. 11-28 to 11-29, 6-12 to 6-14; see *id.* at 6-16, 11-102, 11-129. Viacom's "M2" venture eventually reached approximately 47 million customers. C.A. E.R. 294-91. The venture included, among other things, an interactive product utilizing "Intercast technology" to convey musical performances, which was later discontinued and displaced by Internet technology such as webcasting. App., *infra*, 16a, 35a; C.A. E.R. 176-42 to 176-53, 179-34 to 179-37.

3. On October 28, 1998, M2 Software filed an action against Viacom in the United States District Court for the Central District of California alleging, among other things, that Viacom had appropriated M2 Software's protected trademark in violation of the Lanham Act, and 15 U.S.C. § 1114(1)(a) in particular. App., *infra*, 36a-37a. On July 27, 2000, the district court granted Viacom's motion for summary judgment, holding that there was no likelihood of confusion. *Id.* at 54a-55a.

On January 30, 2002, the Ninth Circuit reversed. App., *infra*, 32a-35a. The Ninth Circuit ruled that M2 Software had a valid trademark registered with the PTO for (among other things) "interactive multimedia applications for entertainment, education and information, in the

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[5] M2 Software challenged that other company's effort to register the M2 mark, and prevailed. *M2 Software, Inc. v. Manmade Multimedia*, Opposition No. 91107522 (TTAB Jan. 5, 1999).

nature of artists' performances * * * from the film and music industries." *Id.* at 33a. The Ninth Circuit held that "M2 Software is the indisputable senior user of the M2 mark" with a "right to enjoin the 'junior' users from using confusingly similar marks in the same industry or market or within the senior user's natural zone of expansion." *Id.* at 34a (some internal quotation marks omitted). "M2 Software," the Ninth Circuit further held, "ha[d] brought forth sufficient evidence that would permit a rational factfinder to find a likelihood of confusion." *Id.* at 34a-35a (internal quotation marks omitted). Accordingly, the court remanded the case for further proceedings.

4. On remand, the district court resolved the case in a pair of orders.

a. First, on March 12, 2004, the district court granted partial summary judgment to Viacom on the issue of monetary relief. App., *infra*, 15a-31a. The district court ruled that M2 Software could not recover damages caused by the infringement because M2 Software had not produced sufficient evidence of an actual injury. *Id.* at 26a. The district court also refused to award M2 Software the alternative remedy of infringement profits in the amount of a reasonable royalty because, in its view, the amount of such royalty was entirely speculative. The court explained that there had been no negotiations between the parties, and there was no evidence that M2 Software was willing to license its mark. *Id.* at 27a.

The district court further refused to award M2 Software any portion of the profits earned by Viacom that were attributable to the infringing use of the M2 trademark. The court stated that, under Ninth Circuit precedent, a plaintiff "is not entitled to an accounting of defendant's profits * * * unless the infringement was willful." App., *infra*, 27a (citing *Gracie* v. *Gracie*, 217

F.3d 1060, 1068 (9th Cir. 2000), and *Lindy Pen Co.* v. *Bic Pen Corp.*, 982 F.2d 1400, 1405-06 (9th Cir.), cert. denied, 510 U.S. 815 (1993)). Finding insufficient evidence of willfulness or bad faith, the district court held that M2 Software could not seek an award of those profits attributable to the infringing use of its trademark. *Id.* at 28a-29a.

b. Second, on September 7, 2004, the district court entered final judgment by issuing a permanent injunction proposed by Viacom. App., *infra*, 8a-14a. That injunction prohibited Viacom from using the specific marks "M2" or "M2: Music Television" to identify programming services or interactive multimedia products. App., *infra*, 11a. Viacom had proposed that relief in 2004, having earlier changed the formal name of "M2: MUSIC TELEVISION" to "MTV2." App., *infra*, 8a, 9a-10a. The district court ruled that the new "MTV2" name did not infringe. *Id.* at 11a. Accordingly, the district court granted an injunction that prohibited Viacom "from using the specific marks M2 or M2: MUSIC TELEVISION," while excluding certain identified design logos. *Id.* at 11a-12a.

5. On February 28, 2007, the Court of Appeals for the Ninth Circuit affirmed in relevant part and remanded in part. App., *infra*, 1a-7a. The court of appeals first agreed with the district court that M2 Software had not adduced sufficient evidence of actual injury to support an award of damages. *Id.* at 2a-3a.

The Ninth Circuit also held that M2 Software could not recover the profits attributable to the infringement, whether measured as a royalty or otherwise. App., *infra*, 3a-4a. To recover profits, the Ninth Circuit held, a plaintiff must prove that the infringement was willful. *Id.* at 3a. In this case, the Ninth Circuit concluded that M2 Software "did not introduce evidence from which a reasonable factfinder could conclude that Viacom willfully infringed M2 Software's trademark." *Ibid.* The court

stated that any meeting between a Viacom vice-president and M2 Software's president at a trade show in 1992 was insufficient because it was too temporally remote. *Id.* at 3a.[6] The Ninth Circuit further held that Viacom's failure to disclose M2 Software's mark when seeking to register its own M2 mark, and other conduct, was insufficient. *Id.* at 3a-4a. Accordingly, the Ninth Circuit did not decide whether Viacom had been unjustly enriched by appropriating M2 Software's protected mark. Instead, it held that, absent proof of "willful infringement, * * * M2 Software is not entitled to an accounting of any Viacom profits from the alleged infringement." *Id.* at 3a-4a. For the same reason, it held that M2 Software's request for "royalties as a way of disgorging Viacom's allegedly unjustly acquired profits likewise fails." *Id.* at 4a.

The Ninth Circuit also rejected M2 Software's claim that Congress's 1999 amendments to the Lanham Act—and 15 U.S.C. § 1117 in particular—had "clarified" that there is no across-the-board willfulness prerequisite to an award of infringer's profits under 15 U.S.C. § 1114. (As noted above, see p. 5, *supra*, the cause of action for dilution in Section 1125(c) has always made willfulness a prerequisite to monetary relief for dilution claims. The 1999 amendments simply added parallel language to Section 1117(a) to specify the same thing there as well—*i.e.*, that willfulness is a prerequisite to monetary relief for dilution claims under Section 1125(c). See pp. 23-26, *infra*.) According to the court, any claim that the 1999 amendments "expand[ed] the remedies available for violations of § 1114 by negating the willfulness requirement" rested on a "shaky assumption." *Id.* at 4a. In any

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[6] Although the Ninth Circuit stated that the meeting occurred six years before the infringement, App., *infra*, 3a, in fact only four years had lapsed. The meeting occurred in 1992, and the infringement began in 1996. See pp. 6-7, *supra*.

event, the court held that any such expansion "would not be retroactive" and thus would not apply to this case. *Id.* at 4a.[7] On April 26, 2007, the Ninth Circuit denied a petition for rehearing and rehearing en banc. *Id.* at 60a.

On July 17, 2007, Justice Kennedy granted M2 Software's application to extend the time to file a petition for a writ of certiorari to and including August 14, 2007. See App., *infra*, 62a.

REASONS FOR GRANTING THE PETITION

Joining the Tenth and D.C. Circuits, the Ninth Circuit in this case held that trademark owners must always prove willful infringement to recover the portion of the infringer's profits attributable to the infringement. That holding squarely conflicts with decisions of the Fifth, Seventh, and Eleventh Circuits, all of which hold that willfulness is not an absolute prerequisite to an award of profits for all Lanham Act violations. That substantial and recurring conflict warrants this Court's review.

I. The Courts Of Appeals Are Divided On Whether Willfulness Is An Across-The-Board Prerequisite To An Award Of An Infringer's Profits

The Lanham Act provides private causes of action to redress various forms of trademark infringement, including the unauthorized use of registered marks, 15 U.S.C. § 1114, the use of false or misleading "designations of origin" and advertising, 15 U.S.C. § 1125(a), "dilution" of "famous" marks, 15 U.S.C. § 1125(c), and

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[7] With respect to the permanent injunction, the Ninth Circuit affirmed in most respects. App., *infra*, 5a-6a. The Ninth Circuit, however, found an ambiguity in the injunction because it purported to enjoin use of M2: MUSIC TELEVISION while, at the same time, including M2: MUSIC TELEVISION in a list of "various logos" the judgment did not preclude Viacom from using. *Id.* at 6a. Accordingly, the court vacated the district court order granting injunctive relief. *Id.* at 6a-7a.

even "cyberpiracy," 15 U.S.C. § 1125(d). The Act also authorizes a variety of remedies. Prevailing plaintiffs may be granted injunctive relief, 15 U.S.C. § 1116, as well as monetary relief, such as "(1) defendant's profits, (2) any damages sustained by plaintiff, and (3) the costs of the action," all subject to (among other things) "principles of equity," 15 U.S.C. § 1117(a). For years, the courts of appeals have been divided on whether courts may award one particular form of monetary relief—a portion of the profits that the infringer derived from the infringement—absent proof that the violation was "willful."

A. The Fifth, Seventh, and Eleventh Circuits have held that willfulness is not an absolute prerequisite to the disgorgement of profits. See *Quick Techs., Inc.* v. *Sage Group PLC*, 313 F.3d 338, 349 (5th Cir. 2002) (reaffirming a factor-based approach rather than a bright-line willfulness requirement); *Burger King Corp.* v. *Mason*, 855 F.2d 779, 783 (11th Cir. 1988) (holding that "no hard and fast rules dictate the form or quantum of relief" for monetary awards under 15 U.S.C. § 1114(1)); *Sands, Taylor & Wood* v. *Quaker Oats Co.*, 34 F.3d 1340, 1349 (7th Cir. 1994) ("*Sands II*") (holding that "[o]ther than general equitable considerations, there is no express requirement that the parties be in direct competition or that the infringer wilfully infringe * * * to justify an award of profits"); see also *Banjo Buddies, Inc.* v. *Renosky*, 399 F.3d 168, 174-75 (3d Cir. 2005) (holding that willfulness is not a general prerequisite for profit awards).[5]

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[5] Accord *Optimum Techs.* v. *Home Depot U.S.A., Inc.*, 217 F. App'x 899, 902 (11th Cir. 2007) (confirming that willfulness is one of three reasons why the court could grant an accounting of profits); *Seatrax, Inc.* v. *Sonbeck Int'l, Inc.*, 200 F.3d 358, 372 n.9 (5th Cir. 2000) (similar); *Roulo* v. *Russ Berrie & Co.*, 886 F.2d 931, 941 (7th Cir.

Those courts have reasoned that the text of the Lanham Act does not by its terms make willfulness an across-the-board prerequisite to awarding a portion of the defendant's profits. In *Sands II*, for example, the Seventh Circuit reviewed the statutory text and concluded that the Act contains "no express requirement" of willfulness for claims (like this one) under 15 U.S.C. § 1114(1). 34 F.3d at 1349. The plaintiff in that case had filed suit for unauthorized use of a registered trademark. *Id.* at 1342. Addressing the plaintiff's claim for the portion of the defendant's profits attributable to the infringement, the Seventh Circuit noted that the Lanham Act imposed certain limits on monetary recoveries, making them "subject only to principles of equity," to the limitations in each specific cause of action, and to the rule that any recovery above actual damages must "be compensatory in nature and not punitive." *Id.* at 1346-47. "Other than general equitable considerations," the court thus observed, "there is no express requirement that * * * the infringer wilfully infringe the trade dress to justify an award of profits." *Id.* at 1349 (quoting *Roulo* v. *Russ Berrie & Co.*, 886 F.2d 931, 941 (7th Cir. 1989), cert. denied, 493 U.S. 1075 (1990)).

Indeed, where Congress wished to make willfulness a prerequisite to monetary awards, it did so expressly. For example, 15 U.S.C. § 1125(c), which creates a cause of action for "dilution," declares that the owners of famous marks can be granted only injunctive relief unless "the person against whom the injunction is sought *willfully intended* to trade on the reputation of the famous mark" or "*willfully intended* to harm the" mark's "reputation." 15 U.S.C. § 1125(c)(5) (emphasis added). Until 2006, that requirement appeared in Section 1125(c)(2), which stated

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1989) (holding that there is no express requirement of willfulness to justify an award of profits), cert. denied, 493 U.S. 1075 (1990).

that "the owner of the famous mark shall be entitled *only* to injunctive relief * * * *unless* the person against whom the injunction is sought *willfully intended* to trade on the owner's reputation or to cause dilution." 15 U.S.C. § 1125(c)(2) (1994 & Supp. I 1995) (emphasis added). "*If such willful intent is proven*," the statute continued, the owner of the famous mark can also obtain profits and damages, "subject to the discretion of the court and the principles of equity." *Ibid.* (emphasis added).

The fact that Congress provided a specific, textual requirement of willfulness for an award of profits and damages for dilution under Section 1125(c), but did not include a willfulness requirement for other violations or forms of monetary relief under other provisions, speaks volumes about its intent. "Where Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion." *Russello* v. *United States*, 464 U.S. 16, 23 (1983). See *Banjo Buddies, Inc.*, 399 F.3d at 174-75 (applying *Russello* to the language of Section 1117(a) to conclude that willfulness is a prerequisite for dilution claims under Section 1125(c), but not other claims).

In addition, the Seventh Circuit's decision in *Sands II* observed that profits are awarded "under different rationales, including unjust enrichment, deterrence, and compensation." 34 F.3d at 1349 (quoting *Roulo*, 886 F.2d at 941) (emphasis omitted). Thus, "many of the remedies available under the Lanham Act 'flow not from the plaintiff's proof of its injury or damage, but from its proof of the defendant's unjust enrichment or the need for deterrence.'" *Ibid.* (quoting *Web Printing Controls Co.* v. *Oxy-Dry Corp.*, 906 F.2d 1202, 1205 (7th Cir. 1990)). Those principles—of avoiding unjust enrichment and making "violations of the Lanham Act unprofitable to

the infringing party," *id.* at 1349—do not justify an across-the-board requirement that the infringement be willful. The "principles of equity" referred to in the Act, the Seventh Circuit has further stated, "do not * * * justify withholding all monetary relief from the victim of a trademark infringement merely because the infringement was innocent." *Louis Vuitton S.A.* v. *Lee*, 875 F.2d 584, 588-89 (7th Cir. 1989).

> As between the "innocent" infringer who seeks to get off scot-free, and the innocent infringed who has neither engaged in any inequitable conduct nor sought treble damages or treble profits (or indeed any part of the defendant's profits that is attributable to the defendant's superior efficiency rather than to the plaintiff's trademark), the stronger equity is with the innocent infringed.

Id. at 589. Given the difficulty of proving actual damages in many trademark cases, it is particularly inappropriate to impose extra-statutory prerequisites to alternative recoveries, such as the profits attributable to infringement or a royalty representing some portion of the profits.

B. Nonetheless, the Ninth, Tenth, and D.C. Circuits have held that plaintiffs seeking any disgorgement of profits attributable to the infringement must prove that the infringement was willful. See *Bishop* v. *Equinox Int'l Corp.*, 154 F.3d 1220, 1223 (10th Cir. 1998) (holding that "an award of profits requires a showing that defendant's actions were willful or in bad faith"); *Western Diversified Servs., Inc.* v. *Hyundai Motor Am., Inc.*, 427 F.3d 1269, 1273 (10th Cir. 2005) ("[W]e require a showing that Defendant's actions were willful to support an award of profits * * * ."); *ALPO Petfoods, Inc.* v. *Ralston Purina Co.*, 913 F.2d 958, 968 (D.C. Cir. 1990) ("An award based on a defendant's profits requires proof that the defendant acted willfully or in bad faith."); *Lindy Pen Co.* v. *Bic Pen Corp.*, 982 F.2d 1400, 1405-06 (9th Cir.

1993) (holding that a plaintiff may recover a portion of the defendant's profits only if the infringement was willful, which "carries a connotation of deliberate intent to deceive"); *Kassbaum* v. *Steppenwolf Prods., Inc.*, 236 F.3d 487, 492 (9th Cir. 2000) (holding that, while "[a]ctual consumer confusion is not required for profit recovery," the plaintiff must show "a likelihood of confusion combined with willful infringement").

In this case, the Ninth Circuit applied that rule to bar M2 Software from recovering any portion of Viacom's profits, "because [M2 Software] did not introduce evidence from which a reasonable factfinder could conclude that Viacom willfully infringed M2 Software's trademark." App., *infra*, 3a (citing *Lindy Pen Co.*, 982 F.2d at 1405). And, based on the same willfulness prerequisite, the Ninth Circuit held that M2 Software's alternative request for "royalties as a way of disgorging Viacom's allegedly unjustly acquired profits likewise fails." *Id.* at 4a. Viacom thus was permitted to retain any profits obtained as a result of its infringement; Viacom was not required to pay any royalty for the use of M2 Software's protected mark; and M2 Software was required to endure eight years of litigation to protect its mark against a much larger and better funded opponent for nothing more than forward-looking injunctive relief.[9]

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[9] The Ninth Circuit suggested that M2 Software's alternative request for a reasonable royalty as a measure of Viacom's unjust enrichment would be unduly speculative given the absence of royalty negotiations between the parties. App., *infra*, 4a. But the Ninth Circuit ignored the fact that it is the infringer—who has access to the relevant data—that has the burden of apportioning profits. *Mishawaka Rubber & Woolen Mfg. Co.* v. *S.S. Kresge Co.*, 316 U.S. 203, 206-07 (1942). And it disregarded precedent from other courts recognizing that, given difficulties of proof, a "reasonable royalty" may "more accurately reflect both the extent of [the infringer's] unjust enrichment and the interest of [the trademark owner] that

C. Like the courts of appeals, the district courts are in disarray. Even neighboring district courts have reached utterly irreconcilable results. Compare *Nike, Inc.* v. *Top Brand Co.*, No. 00 Civ. 8179 KMW RLE, 2005 WL 1654859, at *10 (S.D.N.Y. July 13, 2005) (holding that "the plain language of the statute indicates that willfulness is a prerequisite only when recovery of profits is sought for a violation of section 1125(c)"), with *Pfizer, Inc.* v. *Y2K Shipping & Trading, Inc.*, No. 00 CV 5304 (SJ), 2004 WL 896952, at *9 (E.D.N.Y. Mar. 26, 2004) (holding that defendant's willfulness is a prerequisite for awarding profits). In district after district across the country, courts repeatedly confront this issue and repeatedly apply conflicting rules.[10]

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has been infringed." See *Sands, Taylor & Wood Co.* v. *Quaker Oats Co.*, 978 F.2d 947, 961 (7th Cir. 1992) ("*Sands I*"); *id.* at 964 (Fairchild, J., dissenting on other grounds) (royalty calculation can be used to decide question of "[w]hat portion of [the infringer's] profit resulted from its use of [the registrant's trademark], and therefore constituted unjust enrichment").

[10] Myriad cases have applied the Fifth, Seventh, and Eleventh Circuits' rule that, except for dilution claims under 15 U.S.C. § 1125(c), willfulness is not a prerequisite to awarding some portion of the infringer's profits. See, *e.g.*, *Optimum Techs., Inc.* v. *Henkel Consumer Adhesives, Inc.*, No. 1:04-CV-1082-TWT, 2006 WL 1663357, at *6 (N.D. Ga. June 14, 2006) ("Although a showing of willful infringement or bad faith is grounds for recovering profits, such a showing of culpability is not a prerequisite to recovery * * *."); *ISP.NET.LLC* v. *Qwest Commc'ns Int'l Inc.*, No. IP01-0480-CBS, 2004 WL 2272145, at *6 (S.D. Ind. Sept. 24, 2004) ("tak[ing] willfulness into consideration when deciding whether monetary relief in the form of an accounting of profits is appropriate but" declining to "condition an award upon such a finding"); *A Touch of Class Jewelry Co.* v. *J.C. Penney Co.*, No. CIV. A. 98-2949, 2000 WL 1224804, at *5 (E.D. La. Aug. 28, 2000) (willfulness is not required for an accounting of profits). Myriad district courts likewise apply the opposite rule. *Collegenet, Inc.* v. *XAP Corp.*, 483 F. Supp. 2d 1058, 1065 (D. Ore. 2007) (stating that plaintiff must

Confronted with that disarray, scholars and the courts alike have expressly recognized both the division in circuit authority and the resulting need for this Court's review. "There is an established split in the circuits regarding the type of proof necessary to obtain an accounting of the defendant's profits." D. Long, *Unfair Competition and the Lanham Act*, § 7.11.3.3 (1993). "On the key issue of scienter, a clear split has developed among the Circuits * * * ." J. Koelemay, *A Practical Guide to Monetary Relief in Trademark Infringement Cases*, 85 Trademark Rep. 263, 263 (1995); *Western Diversified Servs.*, 427 F.3d at 1273 & n.1 (acknowledging that, while the Tenth Circuit requires "a showing that Defendant's actions were willful to support an award of profits," that "standard is not universally applied among the circuit courts"); see also D. Conway-Jones, *Remedying Trademark Infringement: The Role of Bad Faith in Awarding an Accounting of Defendant's Profits*, 42 Santa Clara L. Rev. 863, 864 (2002) ("[N]early five decades of circuit court and district court decisions have resulted in a schizophrenic view of the remedy of an accounting of profits and the nefarious bad faith requirement"); E. Luciani, *Does the Bad Faith Requirement In Accounting of Profits Damages Make Economic Sense?*, 6 J. Intell. Prop. L. 69, 78-82 (1998); K. Stolte, *Remedying Judicial Limitations on Trademark Remedies: An Accounting of Profits Should Not Require a Finding*

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establish "willful misconduct" to recover profits); *Cache la Poudre Feeds, LLC* v. *Land O' Lakes, Inc.*, 438 F. Supp. 2d 1288, 1291 (D. Colo. 2006) (citing Tenth Circuit precedent that "require[s] a showing that Defendant['s] actions were willful to support an award of profits"); *Blau* v. *YMI Jeanswear, Inc.*, No. CV 02-09551 FMC (SHSx), 2004 WL 5313967, at *6 (C.D. Cal. Jan. 2, 2004) (Plaintiffs may recover defendants' profits only when infringement is "willfully calculated to exploit the advantage of an established mark.") (quoting *Lindy Pen Co.*, 982 F.2d at 1405).

of Bad Faith, 87 Trademark Rep. 271, 298 (1997) ("[T]he Supreme Court should review the question of whether the Lanham Act requires proof of bad faith in order for a trademark owner to recover any portion of an infringer's profits."); 5 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 30:62, at 30-142 to 30-143 (4th ed. 2007) (noting that, by 2005, "a split of authority developed such that while most circuits required some showing of willfulness" others "held that while relevant, willfulness was not essential or indispensable to a recovery of profits"). The Court should grant the petition and restore uniformity to this area of law.

II. The Ninth Circuit's Willfulness Prerequisite Contravenes The Act's Text, Structure, And History

Requiring the plaintiff to prove willful infringement as a prerequisite to any award of profits—even part of the marginal portion of profits the defendant earned as a result of the infringing conduct—cannot be reconciled with the Lanham Act's text, history, or purpose.

A. Throughout the Lanham Act, Congress explicitly identified the circumstances under which it intended to require willfulness as a prerequisite to relief. As noted above, 15 U.S.C. § 1125(c)—which provides the cause of action for "dilution," see pp. 14-15, *supra*—establishes a specific willfulness requirement, but only for dilution claims. It states that, for dilution claims under Section 1125(c), monetary relief is not available unless "the person against whom the injunction is sought *willfully intended* to trade on the reputation of the famous mark" or "*willfully intended* to harm the" mark's "reputation." 15 U.S.C. § 1125(c)(5) (emphasis added). That requirement has existed for dilution claims under Section 1125(c) since Section 1125(c) was enacted. See pp. 5 & n.2, 14-15, *supra* (noting that, before the most recent amendments in 2006, Section 1125(c)(2) provided that "the owner of

the famous mark shall be entitled *only* to injunctive relief * * * *unless* the person against whom the injunction is sought *willfully intended* to trade on the owner's reputation or to cause dilution," and further provided that, "[i]f * * * *willful* intent is proven, the owner of the famous mark" can obtain damages and the infringer's profits "subject to the discretion of the court and the principles of equity") (emphasis added)). That Congress included specific language requiring willfulness as a precondition to profit awards for violations of Section 1125(c), but not for other violations, quite clearly shows that Congress intended willfulness to be a precondition to profit awards under Section 1125(c), but not elsewhere. "Where Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion." *Duncan* v. *Walker*, 533 U.S. 167, 173 (2001) (quoting *Russello*, 464 U.S. at 23).

2. Likewise, any effort to impose a general "willfulness" or "bad-faith" prerequisite to profit awards is at odds with the carefully crafted mental-state and culpability requirements contained in 15 U.S.C. § 1114(1). Broadly speaking, Subsection (a) of Section 1114(1) prohibits anyone from "us[ing]" infringing marks "in commerce," while Subsection (b) prohibits the unauthorized reproduction and application of infringing marks. Critically, the Act specifies that trademark registrants cannot recover profits for violations of Section 1114(1)(*b*) unless "the acts have been committed *with knowledge* that such imitation *is intended to be used* to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. § 1114(1) (emphasis added). The Act, however, does *not* impose that

requirement for violations of Section 1114(1)(*a*).[11] Superimposing a judicially crafted requirement of willful infringement—which likewise "carries a connotation of deliberate intent to deceive," *Lindy Pen Co.*, 982 F.2d at 1406—on top of both Section 1114(1)(a) and 1114(1)(b) supersedes Congress's decision to treat violations of each differently, and countermands a deliberate legislative choice to impose a more demanding standard of knowledge or intent for profits awards under the latter but not the former.

Other provisions of the Lanham Act likewise delineate the precise mental state or degree of culpability required for particular types of monetary relief.[12] Simply

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[11] The more demanding standard applied to requests for monetary relief for violations of Section 1114(1)(b) reflects an important difference between violations of that provision and violations of Section 1114(1)(a). Because violations of Subsection (a) involve the "use in commerce" of unlawfully reproduced marks, 15 U.S.C. § 1114(1)(a), they are relatively more likely to result in unjust enrichment. By contrast, violations of Subsection (b) may involve nothing more than the unauthorized reproduction and application of protected marks, 15 U.S.C. § 1114(1)(b), which is less likely to unjustly enrich the defendant at the trademark owner's expense.

[12] For example, 15 U.S.C. § 1111 provides that, where the registrant fails to provide notice of its registration, "no profits and no damages shall be recovered * * * unless the defendant had actual notice of the registration." Section 1111's prohibition on profit awards absent actual notice of registration would be superfluous if willfulness were an independent and universal prerequisite for all profit awards. (Here, Section 1111's requirements were doubly met: M2 Software utilized the registration symbol, and Viacom admitted actual notice prior to launch. C.A. E.R. 11-22, 27-29, 176-9, 180-8 to 180-12, 180-31 to 180-32.) Similarly, Section 1114(2) creates an elaborate set of "innocent infringer" defenses for certain categories of defendants. Section 1114(2)(A) provides such a defense where the innocent infringer is "solely in the business of printing the mark or violating matter for others"; if the defense is established, the plaintiff asserting a violation of Section 1114(1)(a) is limited to injunctive relief. 15

put, Congress has carefully articulated the precise standards that govern the availability of particular remedies—whether willful infringement as in Section 1125(c)(5), see pp. 20-21, *supra*; knowing intent to deceive as in Section 1114(1)(b), see pp. 21-22, *supra*; or notice of registration as in Section 1111, see p. 22 n.12, *supra*. As a result, the statutory text cannot tolerate a judicial gloss that supersedes those distinctions with an extratextual willfulness requirement. Cf. *Hughes Aircraft Co.* v. *Jacobson*, 525 U.S. 432, 447 (1999) (court should not supplement a "comprehensive and reticulated statute" with "extratextual remedies").[13]

3. Congress's 1999 amendments to 15 U.S.C. § 1117 confirm that conclusion. While provisions like 15 U.S.C. § 1114(1) and § 1125 create private causes of action for violations of the Lanham Act (and specify particularized requirements for different types of relief), Section 1117 sets forth in general terms the forms of monetary relief available for Lanham Act violations. Before the 1999 amendments, that provision stated in relevant part:

> [W]hen a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, *or a violation of section 1125(a)* [relating to

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U.S.C. § 1114(2)(A). Similarly, 15 U.S.C. § 1114(2)(B) limits plaintiffs to injunctive relief in actions "against the publisher or distributor" of infringing materials where the infringement is "part of paid advertising matter" and the defendant is otherwise "innocent" of wrongdoing.

[13] Ironically, it may have been decisions erroneously applying the specific statutory mental-state and culpability requirements to claims they do not cover, see pp. 21-23 & nn.11-12, *supra*, that caused willfulness to "worm[] its way" into the Lanham Act as a general requirement. See Conway-Jones, *supra*, at 898 n.166; Stolte, *supra*, at 288-89 ("[T]he Ninth Circuit incorrectly applied the scienter requirement for printers and publishers apparently to all trademark infringers. This was simply careless judicial analysis.").

> false designations of origin] of this title, have been established in any action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.

15 U.S.C. § 1117(a) (1994) (emphasis added).

That pre-1999 version, however, did not mention violations of Section 1125(c), which addresses the "dilution" of "famous" marks. The pre-1999 version of 15 U.S.C. § 1116, which governs injunctive relief, likewise authorized injunctions for violations of Section 1125(a) without mentioning violations of Section 1125(c). Instead, the availability of injunctive and monetary relief for Section 1125(c) dilution claims was addressed in Section 1125(c) itself, which specified that the "owner of the famous mark" asserting a dilution claim "shall be entitled *only* to injunctive relief as set forth in section 1116 of this title *unless* the person against whom the injunction is sought *willfully* intended to trade on the owner's reputation or to cause dilution." 15 U.S.C. § 1125(c)(2) (1994 & Supp. I 1995) (emphasis added). If the violation was willful, the provision continued, the owner of the famous mark would "also be entitled to the remedies set forth in sections 1117(a) * * * of this title, subject to the discretion of the court and the principles of equity." *Ibid.* Those same conditions—that injunctive relief is available for all dilution violations but that monetary relief is available only for willful dilution—are incorporated in 15 U.S.C. § 1125(c)(5) today. See pp. 5, 14-15, *supra*.

In 1999, Congress amended Sections 1116 and 1117 to mention violations of Section 1125(c) "to clarify that in passing the Dilution Act, Congress *did* intend to allow for injunctive relief and/or damages" consistent with the

standards set forth in Section 1125(c) itself. H.R. Rep. No. 250, 106th Cong., 1st Sess. 6 (1999) (emphasis added); *ibid.* (amendments designed to "avoid any confusion"). Congress thus amended Section 1116 to permit injunctive relief (among other things) "to prevent a violation under subsection (a) *or (c)* of" Section 1125. H.R. Rep. No. 250, *supra*, at 15 (emphasis added). Likewise, Congress amended Section 1117(a) to specify, consistent with the willfulness requirement already in Section 1125(c)(2), that the monetary relief described in Section 1117(a) is available for a violation of Section 1114, a violation of Section 1125(a), *"or a willful violation under section [1125](c)."* H.R. Rep. No. 250, *supra*, at 2 (emphasis added). See generally Trademark Amendments Act of 1999, Pub. L. No. 106-43, § 3(b), 113 Stat. 218, 219.[14]

Thus, Section 1117 now authorizes profits, damages, and costs for violations of Section 1114, for "a violation under section 1125(a) or (d) * * *, *or a willful violation under section 1125(c)* * * * subject to the provisions of sections 1111 and 1114 * * * and subject to the principles of equity." 15 U.S.C. § 1117(a) (emphasis added). By adding the reference to willful violations under the cause of action created by Section 1125(c), Congress merely restated the pre-existing requirement—already contained in the text of Section 1125(c) itself—that willfulness is a prerequisite to monetary recoveries for dilution. Nonetheless, that amendment usefully juxtaposes those claims for relief in which Congress expressly imposed a willful-

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[14] When Congress amended the Lanham Act by adding new Section 1125(d) to prohibit "cyberpiracy" later in 1999, it amended Section 1117(a) again to specify that monetary relief is available for violations under Section 1125(d) as well. See Consolidated Appropriations Act, Pub. L. No. 106-113, § 3003(a)(2), 113 Stat. 1501 (1999).

ness requirement (those under Section 1125(c)) with the claims for which Congress did not.[15]

4. Finally, imposing a willfulness requirement is inconsistent with the "unjust enrichment" rationale underlying many of the Lanham Act's remedies. *Sands II*, 34 F.3d at 1349. So long as the award of profits is limited to those attributable to the infringement—or a reasonable royalty as a measure of the unjust gain—there can be no concerns about unfairness to the defendant or unjust enrichment of the plaintiff. The defendant is left no worse off than it would have been had there been no infringement in the first instance, and the plaintiff should be no better off than had the parties negotiated a license. *Sands I*, 978 F.2d at 961; see also E. Luciani, *supra*, at 79, 83 ("Moreover, by limiting an accounting to the gains of unauthorized use, the award leaves the infringer no worse off than if [he] had not infringed in the first place"; such an accounting "should only award the wronged plaintiff that portion of the defendant's profits that are attributable to the infringement"); 15 U.S.C. § 1117(a) (authorizing court to adjust recovery downward or upward if it "find[s] that the amount of recovery based on profits is either inadequate or excessive").

B. The Ninth Circuit made no effort to reconcile an extra-textual willfulness precondition to awarding an infringer's profits with the terms of the Lanham Act

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[15] See 5 McCarthy, *supra*, § 30:62, at 30-144 (explaining that the 1999 amendment did not change the substance of the law and was designed "to correct a drafting error" in Section 1117(a) by making it correspond to Section 1125(c), which already limited "the recovery of damages in dilution cases" to willful violations). Thus, while cases like *Banjo Buddies, Inc.*, 399 F.3d at 174-75, have found the 1999 amendments illuminating—they usefully juxtapose Section 1125(c) claims and all other claims—Section 1125(c) made willfulness a prerequisite to monetary relief for dilution claims well before the 1999 amendments.

itself. The Ninth Circuit thus ignored the fact that Congress expressly imposed a willfulness precondition for dilution claims under Section 1125(c), but not for other claims. See pp. 20-21, *supra*. It ignored the fact that, throughout the Lanham Act, Congress comprehensively and carefully delineated the mental-state and culpability requirements for particular claims and forms of relief, foreclosing judicial supplementation of the statutory requirements. See pp. 22-23, *supra*. It ignored the fact that an across-the-board willfulness requirement for profit awards would render Section 1111, which preconditions both damages and profit awards on actual or constructive notice of registration, partially superfluous. See p. 22 n.12, *supra*. And it made no effort to reconcile its decision with unjust enrichment principles. See p. 26, *supra*.

Instead, the Ninth Circuit confined its analysis to the 1999 amendments to the Lanham Act. In particular, the court stated that, "even on the shaky assumption" that the 1999 amendments "expand[ed] the remedies available for violations of § 1114 by negating the willfulness requirement," any such expansion would be non-retroactive and thus would "not apply to this suit." App., *infra*, 4a. But that is a non-sequitur. As explained above, the 1999 amendments at issue here did not change the substance of the Lanham Act. Even before those amendments, the Act incorporated—in Section 1125(c)(2) (now Section 1125(c)(5))—a willfulness prerequisite to monetary relief for dilution cases under Section 1125(c); Congress's addition of the phrase "*or a willful violation under section 1125(c)*" to Section 1117(a) merely repeated in Section 1117(a) the requirement that already existed in Section 1125(c) itself. See pp. 23-26, *supra*; 15 U.S.C. § 1125(c)(2) (1994 & Supp. I 1995) (providing that the plaintiff is "entitled only to injunctive relief" except where defendant acted "*willfully*"; "[i]f * * * *willful*

intent is proven, the owner of the famous mark" can also obtain profits "subject to the discretion of the court and the principles of equity") (emphasis added); see also H.R. Rep. No. 250, *supra*, at 6 (explaining that the amendment was meant to "clarify" and "avoid any confusion"). There can be no retroactivity concerns from statutory amendments that do not change the statute's substance. Nor can one speak of upsetting settled expectations, one of the primary rationales for the bar on retroactivity. There could be no settled expectations in the face of a longstanding circuit conflict over the statute's meaning.

III. This Case Presents A Recurring Issue Of Substantial Importance

As noted above, the courts are hopelessly divided on whether, under the Lanham Act, willfulness is a prerequisite to awarding to the trademark owner a portion of the profits that the defendant derived from its infringement. The issue is both important and recurring. As the above discussion makes clear, it arises repeatedly in the courts of appeals, see pp. 13-17 & n.8, *supra*; it arises day after day in the district courts, see p. 18 & n.10, *supra*; and it has been the subject of extensive debate and commentary, see pp. 19-20, *supra*. There is, moreover, no sign of that division abating. See H. Weinberger, J. Wagner & N. Simon, *Where There's (Not) A Will (Maybe) There Is A Way: What Is the Role of Willfulness in Lanham Act Damages Awards?*, 235 N.Y. L.J. 6, col. 1 (May 8, 2006) (stating that "now there is even less consensus" on "the question of willfulness as a prerequisite to recovery of defendant's profits under the Lanham Act"). And the issue's importance is likely to increase further still: In 2006, the PTO registered a record number of new federal trademark applications—over 378,000—reflecting a 36% increase over 2005.

The division of circuit authority, and the resulting disarray in the district courts, is particularly problematic given the nature of federal trademark law. Congress enacted the Lanham Act in 1946 with an avowed purpose of establishing uniformity in trademark laws across the country in light of the fact that "trade is no longer local, but is national." S. Rep. No. 1333, 79th Cong., 2d Sess. 5 (1946); see *Two Pesos, Inc.* v. *Taco Cabana, Inc.*, 505 U.S. 763, 781-82 (1992) (Stevens, J., concurring) ("'The purpose of [the Lanham Act] is to protect legitimate business and the consumers of the country,' [and] [o]ne way of accomplishing these dual goals was by creating uniform legal rights and remedies that were appropriate for a national economy.") (citation omitted)); *Inwood Labs., Inc.* v. *Ives Labs., Inc.*, 456 U.S. 844, 861 n.2 (1982) (White, J., concurring) (noting purpose of the Lanham Act to "codify and unify" the law of trademark protection). Today, that need for national uniformity is even more acute: Given the integrated nature of the national economy, trademark disputes can arise virtually anywhere in the country. The availability of particular forms of relief—or, in this case, any monetary relief at all—ought not depend on the happenstance of the circuit in which the case arises. Nor should such outcomes depend on the success of practices such as forum shopping.

This Court repeatedly has granted petitions in other trademark cases to restore national uniformity. See *KP Permanent Make-Up, Inc.* v. *Lasting Impression I, Inc.*, 543 U.S. 111, 116 (2004) (petition granted "to address a disagreement among the Courts of Appeals on the significance of likely confusion for a fair use defense"); *Moseley* v. *V Secret Catalogue, Inc.*, 537 U.S. 418, 428 (2003) (granting the petition "[b]ecause other Circuits have also expressed differing views about the 'actual harm' issue" under the dilution provisions of the Lanham Act); *Qualitex Co.* v. *Jacobson Prods. Co.*, 514 U.S. 159,

161 (1995) (explaining that the petition was granted because "[t]he Courts of Appeals have differed as to whether or not the law recognizes the use of color alone as a trademark"). The Court should do likewise here.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted.

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August 2007

APPENDIX

APPENDIX A

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

No. 04-56794
D.C. No. CV-98-08734-AHM

M2 SOFTWARE INC., a corporation,
Plaintiff-Appellant,

v.

VIACOM, INC., a corporation; VIACOM INTERNATIONAL INC., a corporation; MTV NETWORKS COMPANY, a corporation,
Defendants-Appellees.

Appeal from the United States District Court
for the Central District of California
A. Howard Matz, District Judge, Presiding

ARGUED AND SUBMITTED OCTOBER 16, 2006
PASADENA, CALIFORNIA
FILED FEBRUARY 28, 2007

MEMORANDUM[1]

Before GIBSON,[2] FISHER, and CALLAHAN, Circuit Judges.

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[1] This disposition is not appropriate for publication and is not precedent except as provided by 9th Cir. R. 36-3.

[2] The Honorable John R. Gibson, Senior United States Circuit Judge for the Eighth Circuit, sitting by designation.

M2 Software, Inc., appeals the entry of summary judgment and a limited permanent injunction with regard to its reverse confusion trademark infringement claim against Viacom, Inc., Viacom International, Inc., and MTV Networks Company (Viacom). We remand only for clarification of the permanent injunction's scope and, if necessary, for trial on that issue.

M2 Software's Claim

In light of our previous ruling in this case, M2 Software has only one remaining federal trademark claim under 15 U.S.C. § 1114; it has waived any claim under 15 U.S.C. § 1125. *See M2 Software, Inc. v. Viacom, Inc.*, 30 Fed. Appx. 710 (9th Cir. 2002). Even had we not already issued an order clarifying that we previously "reversed the grant of summary judgment only on M2 Software's federal trademark infringement claim" because "[n]o other claims were specifically and distinctly argued in M2 Software's opening brief, and thus any other claims were waived," M2 Software again fails to argue this issue "specifically and distinctly" during this appeal. *See Miller v. Fairchild Industries, Inc.*, 797 F.2d 727, 738 (9th Cir. 1986). Accordingly, we consider only M2 Software's claims under § 1114.

Damages

1. No reasonable factfinder could conclude that M2 Software was entitled to any actual damages. "The ultimate question in a reverse confusion case is whether consumers doing business with the senior user might mistakenly believe that they are dealing with the junior user." *PlayMakers LLC v. ESPN, Inc.*, 376 F.3d 894, 897 (9th Cir. 2004) (internal quotation omitted). This question focuses on "whether a reasonably prudent consumer in the marketplace is likely to be confused as to the *origin* of the good or service bearing one of the marks." *Id.* (emphasis added) (internal quotation omit-

ted). M2 Software has not produced any evidence of confusion between its mark and Viacom's mark, but rather only evidence as to confusion as to who was the rightful trademark owner.

2. M2 Software is not entitled to an accounting of Viacom's profits, because it did not introduce evidence from which a reasonable factfinder could conclude that Viacom willfully infringed M2 Software's trademark. *See Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1405 (9th Cir. 1993) (refusing to order an accounting of profits where "infringement was innocent"); *see also Gracie v. Gracie*, 217 F.3d 1060, 1068 (9th Cir. 2000).

Even if there was a meeting between an M2 Software employee and a Viacom Vice-President of International Programming at a trade show in 1992, that is insufficient to show that Viacom was aware of M2 Software's use of an M2 mark. There is no evidence that the Viacom vice-president was involved in any way with M2: MUSIC TELEVISION six years later. M2 Software's contention that Viacom had knowledge of its mark through Mark Farber, a general manager of M2: MUSIC TELEVISION who used to work at Arista Records, which is a client of M2 Software, is equally unsubstantial. It is undisputed that Farber left Arista over six months before M2 Software ever used its mark, and over five years before M2 Software entered into any agreement with Arista.

Viacom's communications with the Patent and Trademark Office do not prove willful infringement. M2 Software argues that Viacom did not disclose its anticipated use of an M2-related mark, but it concedes that Viacom applied to the PTO to register its own M2 trademark before launching the "M2: MUSIC TELEVISION" channel. Finally, there is no evidence that Viacom misrepresented or omitted reference to its interactive services in its communications with M2 Software, but merely that it believed them wholly distinct from M2 Software's pro-

grams. In sum, there is no evidence upon which a reasonable factfinder could base a finding of willful infringement, and M2 Software is not entitled to an accounting of any Viacom profits from the alleged infringement.

3. Because M2's only proposed methodology for estimating a reasonable royalty hinges on an accounting of Viacom's profits, its theory that it may impute royalties as a way of disgorging Viacom's allegedly unjustly acquired profits likewise fails. Therefore we need not decide more generally whether reasonable royalties can be a measure of a plaintiff's damages in a trademark case, as other circuits have found appropriate in some cases. *See, e.g., Sands, Taylor & Wood Co. v. Quaker Oats Co. (Sands I)*, 978 F.2d 947 (7th Cir. 1992) (approving use of a reasonable royalty as compensation for reverse confusion trademark infringement where the senior user had negotiated a license with someone other than the plaintiff); *Boston Prof'l Hockey Ass'n, v. Dallas Cap & Emblem Mfg.*, 597 F.2d 71, 76 (5th Cir. 1979) (basing a reasonable royalty rate on prior negotiations between the parties). In the absence of a legitimate proposed basis on which to calculate a royalty, awarding a reasonable royalty here would be impermissibly speculative. *See Lindy Pen Co.*, 982 F.2d at 1408 (refusing damages where there was insufficient evidence as to the amount of damages and collecting cases for the proposition that "[m]any courts have denied a monetary award in infringement cases when damages are remote and speculative").

4. M2 Software argues that the 1999 amendments to the Lanham Act "make clear" that there is no willfulness requirement to recovery under 15 U.S.C. § 1117(a). Whatever the effects of the 1999 amendments may be, they do not apply to this suit, which was filed in October 1998. Even on the shaky assumption that the 1999 amendments did expand the remedies available for violations of § 1114 by negating the willfulness requirement,

these expansions would not be retroactive. The amending statute contains no express provision mandating retroactive enforcement, and the "traditional presumption" prohibits retroactive enforcement of provision that would "increase a party's liability for past conduct." *See Landgraf v. USI Film Products*, 511 U.S. 244, 280 (1994).

Attorney's Fees

The district court did not abuse its discretion in failing to award costs to M2 Software after entering the permanent injunction. "The court in exceptional cases may award reasonable attorneys' fees to the prevailing party." 15 U.S.C. § 1117(a). Because there is no evidence that this case is "exceptional" due to malicious, fraudulent, deliberate or willful infringement, the district court was not statutorily authorized to grant M2 Software its costs. *See Gracie*, 217 F.3d at 1068.

Waiver of Challenges to MTV2 Trademarks

We affirm the district court's grant of summary judgment regarding M2 Software's claims that Viacom's use of the new MTV2 logos constitutes trademark infringement. The district court found that M2 Software waived any challenge to these logos because it failed to raise the issue in its opening brief in its first appeal to this court. M2 Software first raised the issue of confusion between its mark and the MTV2 logo in its opposition to Viacom's 1999 summary judgment motion, but then failed to raise the issue in its opening brief on its first appeal to this court. Thus, M2 Software could have raised the use of the MTV2 logo as a basis for reversing the grant of summary judgment, but failed to do so. Accordingly, M2 Software waived any challenge to the MTV2 logos by failing to raise the issue in its first appeal. Given M2 Software's waiver, we do not decide whether M2 Software is estopped by acquiescence from raising these arguments.

Permanent Injunction

1. M2 Software fails to argue, let alone demonstrate, that under the four traditional equitable principles that guide the issuance of injunctive relief, *see e.g., Reno Air Racing Ass'n v. McCord*, 452 F.3d 1126, 1138 n.11 (9th Cir. 2006), the district court abused its discretion by not enjoining marks that M2 Software asserts are confusingly similar. We therefore affirm the district court's decision not to enjoin Viacom's use of these marks.

2. Our reversal of the earlier summary judgment remanded on the issue of whether the original "M2: MUSIC TELEVISION" logo created a likelihood of confusion with M2 Software's CD-ROM and software products. *M2 Software, Inc. v. Viacom, Inc.*, 30 Fed. Appx. 710 (2002). It is unclear whether the district court's final judgment and permanent injunction allow Viacom future use of this logo. Although the injunction does not list the original "M2: MUSIC TELEVISION" among the marks included in the provision that "[n]othing in this judgment precludes Defendants from using," the provision does incorporate into the list "the various logos attached as exhibits" (emphasis added) to the injunction, including the original "M2: MUSIC TELEVISION" logo.

If the district court's permanent injunction and final order permitted Viacom's future use of this original logo, then it prematurely precluded the only relief M2 Software may be entitled to if it can show a likelihood of confusion between Viacom's use of the "M2: MUSIC TELEVISION" mark and M2 Software's CD-ROM or software products. Thus, we vacate the final judgment and remand to the district court to clarify whether its permanent injunction extended to Viacom's future use of the original logo. If the injunction does not bar such use by Viacom, then we remand for trial on the sole issue remaining in this case: whether there is a likelihood of confusion between the original logo and M2 Software's

CD-ROM or software products that could entitle M2 Software to injunctive relief.

AFFIRMED in part; **VACATED** in part and **REMANDED**. The parties shall bear their own costs on appeal.

APPENDIX B

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CASE NO. CV 98-8734 AHM (MCX)

M2 SOFTWARE INC.,
Plaintiff.

v.

VIACOM, INC., et al.,
Defendants.

PERMANENT INJUNCTION AND FINAL JUDGMENT

[THIS CONSTITUTES NOTICE OF ENTRY AS REQUIRED BY FRCP, RULE 77(D).]

[FILED SEPTEMBER 7, 2004]
[ENTERED SEPTEMBER 8, 2004]

RECITALS

Plaintiff filed this action on October 28, 1998, seeking, among other things, damages and an injunction against the use of the M2: MUSIC TELEVISION trademark by Defendants.

In March 1999, Defendants voluntarily changed the name of their television programming service from M2: MUSIC TELEVISION to MTV2 and currently use the logos displayed at Exhibit 1 attached hereto and variations thereof.

On or about July 27, 2000, the Court (Judge Paez) granted summary judgment in favor of Defendants and against Plaintiff on all claims alleged in the complaint, finding that no reasonable jury could find a likelihood of confusion between Plaintiff's mark and M2: MUSIC TELEVISION.

On or about January 30, 2002, the Ninth Circuit reversed the summary judgment, holding that the Court (Judge Paez) should have considered Plaintiff's CD-ROMs and that "M2 Software has brought forth sufficient evidence that 'would permit a rational factfinder to find a likelihood of confusion' . . . [between M2 Software's music industry products and] Viacom's M2: Music Television and [its] use of the M2 mark in connection with Intel's Intercast Technology."

On or about September 5, 2002, the Ninth Circuit clarified its ruling, stating, "We reversed the grant of summary judgment only on M2 Software's federal trademark infringement claim. No other claims were specifically and distinctly argued in M2 Software's opening brief, and thus any other claims were waived. *See Miller v. Fairchild Industries, Inc.*, 797 F.2d 727, 738 (9th Cir. 1986)."

On or about March 12, 2004, I granted Defendants' Motion for Summary Adjudication as to Damages and Attorneys' Fees but denied Defendants' Motion for Summary Judgment because injunctive relief was not moot. The Court's Order only addressed Defendants' use of M2: MUSIC TELEVISION and stated that it did not find it necessary to rule on the availability of relief regarding Defendants' current MTV2 logo. At the Court's suggestion, Defendants thereafter proposed a permanent injunction providing, in relevant part:

> 3. Defendants specifically and generally deny any and all liability to Plaintiff based on any actions of Defendants at any time, including without limita-

tion any liability arising from Defendants' use of the marks M2, M2: MUSIC TELEVISION and MTV2, or the M2: MUSIC TELEVISION logo (a copy of which is attached as Exhibit 2) or the MTV2 logo. Defendants also specifically and generally deny that Plaintiff has incurred any damages whatsoever on account of any of Defendants' actions. Without limiting the foregoing, Defendants specifically and generally also deny that any of their actions at any time have infringed Plaintiff's rights in its M2 trademark or trade name; and

4. Solely as a compromise in an effort to resolve this matter, Defendants agree, without admitting any liability, not to use the specific marks M2 or M2: MUSIC TELEVISION to identify any of Defendants' programming services or to identify any of Defendants' interactive multimedia products; and

5. Defendants expressly reserve the right to use any and all other names, marks and logos including, but not limited to, MTV, MTV2, MTV: MUSIC TELEVISION and MTV2: MUSIC TELEVISION, including, without limitation, the MTV2 logo attached hereto as Exhibit 1. Defendants further reserve the right to change the name of their programming service at any time to any name other than M2 or M2: MUSIC TELEVISION.

The proposed injunction also included as part of the order thereon a provision that each party shall bear its own fees and costs.

Plaintiff would not sign the proposed stipulation for injunction because "if agreed to by Plaintiff, [it] would constitute Plaintiff's complete and conclusive abandonment of all issues concerning the 'M$_{TV}$2' logo currently being used by Viacom." Pl.'s Opp'n to Mot. to Resubmit Mot. for Summ. J., 4:8-16.

Defendants then filed a Motion to Resubmit Their Previously Acted Upon Motion For Summary Judgment or, in the Alternative, Motion for Reconsideration Re: Summary Judgment, which the Court denied on June 16, 2004. However, the Court invited Defendants to file a separate summary adjudication motion regarding MTV2.

On July 6, 2004, Defendants filed their summary adjudication motion regarding MTV2. On August 9, 2004, the Court granted Defendants' motion for summary adjudication regarding MTV2, but denied Defendants' motions for attorneys' fees and costs.

RELIEF

WHEREFORE, IT IS HEREBY ADJUDGED, ORDERED, AND DECREED:

1. Defendants are permanently enjoined from using the specific marks M2 or M2: MUSIC TELEVISION to identify any of Defendants' programming services or to identify any of Defendants' interactive multimedia products;
2. Nothing in this judgment precludes Defendants from using any and all other names, marks and logos, including, without limitation, MTV, MTV2, MTV: MUSIC TELEVISION and MTV2: MUSIC TELEVISION, including, without limitation, the various logos attached as exhibits to this judgment;
3. The Court shall retain jurisdiction over this case and, if Defendants reasonably believe at any time that Plaintiff has ceased to have any enforceable rights in the M2 trademark, Defendants may move the Court upon notice to Plaintiff to dissolve this injunction. The parties may also stipulate to dissolve this injunction;
4. Defendants having consented to the foregoing relief without admitting liability, each party shall bear its own fees and costs; and

5. All parties reserve the right to appeal from this judgment, this Court's Order dated March 12, 2004, granting Defendants' Motion for Summary Adjudication as to Damages and Attorneys' Fees and this Court's Order dated August 9, 2004, granting Defendants' Motion for Summary Adjudication regarding MTV2 but denying Defendants' Motion for attorneys' fees and costs.

IT IS SO ORDERED.

DATE: September 7, 2004 /s/ A. Howard Matz
United States District Judge

MTV
MUSIC TELEVISION

APPENDIX C
UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CASE NO. CV 98-8734 AHM (MCX)

M2 SOFTWARE INC.,
Plaintiff,

v.

VIACOM, INC., et al.,
Defendants.

ORDER DENYING DEFENDANT'S MOTION FOR SUMMARY JUDGMENT AND GRANTING PARTIAL SUMMARY ADJUDICATION

[THIS CONSTITUTES NOTICE OF ENTRY AS REQUIRED BY FRCP, RULE 77(d).]

[FILED MARCH 12, 2004]
[ENTERED MARCH 15, 2004]

This matter is before the Court on Defendants' Motion for Summary Judgment or, in the Alternative, Summary Adjudication of Issues as to Damages and Attorneys' Fees. The Court and the parties are already familiar with the facts of this case based on the motion for a preliminary injunction and the first summary judgment motion and the Court need not recount them except as they may bear upon the analysis of this motion.

PROCEDURAL HISTORY

In 2000, Judge Paez granted summary judgment to Defendants, holding that Plaintiff's "RLMS system [Record Label Management System] is not related to defendants' M2: Music Television, there is no likelihood of confusion between [sic] the source of the two products . . . [and] defendants did not infringe plaintiff's M2 trademark and no reasonable jury could conclude otherwise." *M2 Software, Inc. v. Viacom, Inc.*, 119 F. Supp. 2d 1061, 1072 (C.D. Cal. 2000) ("Judge Paez's Order").

In an unpublished memorandum disposition, the Ninth Circuit reversed Judge Paez's Order and remanded the case for trial. *M2 Software, Inc. v. Viacom, Inc.*, 30 Fed. Appx. 710 (9th Cir. 2002). The Ninth Circuit held that Plaintiff's trademark encompassed several CD-ROMs in addition to the RMLS system and that "M2 Software has brought forth sufficient evidence that 'would permit a rational factfinder to find a likelihood of confusion' . . . [between M2 Software's music-industry products and] Viacom's M2: Music Television and [its] use of the M2 mark in connection with Intel's Intercast Technology." *Id.* at 712.

The Ninth Circuit later clarified its memorandum, stating that it was only addressing the federal trademark infringement claim because that was the only portion of Judge Paez's Order that the parties had raised on appeal. Joint Status Report Re Ninth Circuit's Order (Sept. 24, 2002), Exh. A. Thus, the only remaining cause of action is the Lanham Act claim for trademark infringement on a theory of reverse confusion.[1] 15 U.S.C. § 1114 (West 2004).

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[1] Plaintiff now argues that its claim is for both forward confusion and reverse confusion. Reply SUF, ¶ 7. Not so. The theory of reverse confusion is what both Judge Paez's and the Ninth Circuit's decisions assume and Plaintiff did not dispute it in the earlier sum-

SUMMARY JUDGMENT STANDARD

Federal Rule of Civil Procedure 56(c) provides for summary judgment when "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." The moving party bears the initial burden of demonstrating the absence of a "genuine issue of material fact for trial." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 256 (1986). A fact is material if it could affect the outcome of the suit under the governing substantive law. *Id.* at 248. The burden then shifts to the nonmoving party to establish, beyond the pleadings, that there is a genuine issue for trial. *Celotex Corp. v. Catrett*, 477 U.S. 317, 324 (1986).

"When the party moving for summary judgment would bear the burden of proof at trial, it must come forward with evidence which would entitle it to a directed verdict if the evidence went uncontroverted at trial. In such a case, the moving party has the initial burden of establishing the absence of a genuine issue of fact on each issue material to its case." *C.A.R. Transp. Brokerage Co., Inc. v. Darden Rest., Inc.*, 213 F.3d 474, 480 (9th Cir. 2000) (citations omitted). In contrast, when the nonmoving party bears the burden of proving the claim or defense, the moving party can meet its burden by pointing out the absence of evidence from the nonmoving party. The moving party need not disprove the other party's case. *See Celotex*, 477 U.S. at 325. Thus, "[s]ummary judgment for a defendant is appropriate when the plaintiff 'fails to make a showing sufficient to establish the existence of an element essential to [his] case, and on which

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mary judgment motion. *See* Judge Paez's Order at 1067; Ninth Circuit opinion at 712; Decl. of David Caplan, Exh. 17-555, ¶ 6 (Pl.'s SGI in first summary judgment motion).

[he] will bear the burden of proof at trial.'" *Cleveland v. Policy Mgmt. Sys. Corp.*, 526 U.S. 795, 805-06 (1999) (*citing Celotex*, 477 U.S. at 322).

When the moving party meets its burden, the "adverse party may not rest upon the mere allegations or denials of the adverse party's pleadings, but the adverse party's response, by affidavits or as otherwise provided in this rule, must set forth specific facts showing that there is a genuine issue for trial." Fed. R. Civ. P. 56(e). Summary judgment will be entered against the nonmoving party if that party does not present such specific facts. *Id.* Only admissible evidence may be considered in deciding a motion for summary judgment. *Id.*; *Beyene v. Coleman Sec. Serv., Inc.*, 854 F.2d 1179, 1181 (9th Cir. 1988).

"[I]n ruling on a motion for summary judgment, the nonmoving party's evidence 'is to be believed, and all justifiable inferences are to be drawn in [that party's] favor.'" *Hunt v. Cromartie*, 526 U.S. 541, 552 (1999) (quoting *Anderson*, 477 U.S. at 255). But the nonmoving party must come forward with more than "the mere existence of a scintilla of evidence." *Anderson*, 477 U.S. at 252. Thus, "[w]here the record taken as a whole could not lead a rational trier of fact to find for the nonmoving party, there is no genuine issue for trial." *Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 587 (1986) (citation omitted).

DISCUSSION

In Plaintiff's prayer for relief, it seeks an injunction, damages (based on theories of lost profits, lost royalties, corrective advertising, accounting of Defendants' profits, enhanced damages, and punitive damages), and attorneys' fees. Compl. 17:9-19:20; Reply to Pl.'s Statement of Genuine Issues of Fact ("Reply SGI"), ¶ 9. Defendants argue that the Court should grant summary judgment in their favor because Plaintiff is not entitled to any of these

remedies. Broadly summarized, Defendants contend (1) there is no longer any need for or basis for an injunction, and (2) even if there was product confusion and infringement, Plaintiff's claims must be thrown out because Plaintiff cannot prove damage. In the following analysis, I will assume, without making any finding, that Plaintiff has established infringement.

I. Injunctive Relief

The Lanham Act gives federal courts the "power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark. . . ." 15 U.S.C. § 1116(a) (West 2004). An injunction is the preferred remedy for trademark infringement if the plaintiff proves a likelihood of confusion, while courts are generally reluctant to award monetary relief without a showing of "something more" in the form of actual confusion or willfulness. *Century 21 Real Estate Corp. v. Sandlin*, 846 F.2d 1175, 1180 (9th Cir. 1988); 5 *McCarthy on Trademarks and Unfair Competition* § 30:58 (4th ed. 2003) ("*McCarthy*"). Defendants argue that injunctive relief is moot since they "voluntarily ceased using the M2: MUSIC TELEVISION mark almost five years ago." Defs.' Mot., pp. 24-25.

A request for injunctive relief may become moot if a defendant voluntarily ceases the alleged infringing activity, but an injunction is still available "where defendant's intentions are in doubt." 5 *McCarthy* § 30:11 (4th ed. 2003). The Ninth Circuit does not require a trademark plaintiff to present evidence that the alleged infringing activity is likely to continue in the future, especially when the defendant does not voluntarily cease its activities until after plaintiff files the lawsuit. *Id.*; *Polo Fashions, Inc. v. Dick Bruhn, Inc.*, 793 F.2d 1132, 1135 (9th Cir. 1986); *see also Levi Strauss & Co. v. Shilon*, 121

F.3d 1309, 1314 (9th Cir. 1997). As the court in *Polo Fashions* explained:

> a trademark plaintiff "entitled to relief, is entitled to effective relief; and any doubt in respect of the extent thereof must be resolved in its favor as the innocent producer and against the [defendant], which has shown by its conduct that it is not to be trusted." . . . If the defendants sincerely intend not to infringe, the injunction harms them little; if they do, it gives [plaintiff] substantial protection of its trademark.

Id. at 1135-36 (quoting *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 532 (1924)). The cases Defendants cite do not alter this analysis.

Plaintiff M2 Software, Inc. filed this lawsuit in October 1998, yet Defendants did not change the name of their cable channel from "M2: MUSIC TELEVISION" to "MTV 2" until March 1999.[2] Based on *Polo Fashions* and subsequent cases, this fact alone is a sufficient basis to find that the possibility of injunctive relief is not moot. Plaintiff also argues that the infringement is actually ongoing because the new "MTV 2" logo displays the "M" and "2" most prominently, some Yahoo! Finance press releases use boilerplate language referring to "M2," and the host of one of MTV's shows referred to the second network as "M2" on an NBC special. Moreover, Defendants have continued to assert throughout this litigation that they did not infringe Plaintiff's mark. *Cf. E. & J. Gallo Winery v. Consorzio Del Gallo Nero*, 782 F. Supp. 457, 468 (N.D. Cal. 1991). Since the Ninth Circuit held that a reasonable jury could find that Defendants infringed M2 Software's trademark, any doubts about whether a per-

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[2] Plaintiff also sent two cease and desist letters in the summer of 1997 and spring of 1998 before filing this lawsuit. Decl. of Dave Escamilla in Opp'n, Exh. 24.

manent injunction would be an appropriate remedy should be resolved in Plaintiff's favor. *See Polo Fashions, supra.* The Court DENIES summary adjudication as to the availability of injunctive remedies.[3]

II. Monetary Relief

Defendants argue that they are entitled to summary adjudication on the issue of damages because Plaintiff cannot prove that Defendants caused any injury. According to Defendants, if Plaintiff is "[u]nable to satisfy this absolute prerequisite to a recovery of damages under any theory, Plaintiff is precluded from recovering any damages in this case." Defs.' Mot., 1:16-19 (emphasis in original). However, leading treatises on trademark law do not support the proposition that proof that the infringement caused injury is necessary to recover every type of monetary relief. According to *McCarthy*:

> "A plaintiff wishing to recover damages ... must prove that the violation caused actual confusion among consumers of the plaintiff's product, and, as a result, that the plaintiff suffered actual injury, i.e. a loss of sales, [profits, or present value (good will)] ... Other avenues of relief, however, are not foreclosed. In the past, courts have fashioned wide-ranging relief for a violation of the Lanham Act, allowing remedies such as a recovery of defendant's profits, an award of costs of the action, and, in some exceptional cases, an award of attorneys' fees ...

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[3] The parties devoted considerable effort in their motion papers and at the hearing asserting their respective views as to whether the Defendants' current logo, "MTV 2," is immune from any challenge and beyond injunctive relief because of the doctrine of tacking. *Brookfield Communications, Inc. v. West Coast Entm't Corp.*, 174, F.3d 1036, 1047-48. It is unnecessary for the Court to rule on this dispute because injunctive relief is available in any event, for the foregoing reasons.

> These remedies flow not from the plaintiff's proof of its injury or damage, but from its proof of the defendant's unjust enrichment or the need for deterrence."

5 *McCarthy* § 30:74 (4th ed. 2003) (quoting *Web Printing Controls Co. v. OxyDry Corp.*, 906 F.2d 1202 (7th Cir. 1990) (emphasis added); *see also 4 Callmann Unfair Competition, Trademarks and Monopolies* § 22.50 (4th ed. 2002) (court has discretion to award defendant's profits on a theory of unjust enrichment without requiring "the plaintiff to prove that it suffered any damages on account of the infringement.") In addition, if the plaintiff *can* prove that the defendant caused actual injury, the court may compensate the plaintiff for its losses through an award of corrective advertising, lost profits, and/or defendant's profits, so long as the award does not result in over-compensation. *Adray v. Adry-Mart, Inc.*, 76 F.3d 984, 988-89 (9th Cir. 1996); 5 *McCarthy* § 30:73 (4th ed. 2003).

Thus, the Court will first address actual damages and then remaining theories of damages which may not require proof of causation.

A. Actual Damages

A plaintiff is not entitled to any measure of actual damages unless it can prove that the defendant caused the alleged injury. There must be "actual evidence of some injury *resulting from the deception* . . ." to ensure that damages are not too speculative. *Harper House, Inc. v. Thomas Nelson, Inc.*, 889 F.2d 197, 210 (9th Cir. 1989), *cert. denied*, 510 U.S. 1113 (1994) (emphasis in original); *accord Trovan, Ltd., v. Pfizer, Inc.*, 2000 WL 709149, *8-9 (C.D. Cal 2000).

Plaintiff argues that it lost revenue when part of a deal it was negotiating with BMG Entertainment fell through because the BMG negotiator, Mimi Kim, feeling unsure

whether Plaintiff was rightfully using the "M2" mark or infringing upon it, questioned Plaintiff's credibility. Decl. of David Caplan, Exh. 3 (Escamilla Depo.), pp. 118-132; Decl. of Steven L. Barron in Opp'n to First Summary Judgment Motion (Oct. 4, 1999), Exh. 12 (Decl. of Escamilla in Support of Preliminary Injunction), ¶ 22. Ms. Kim has testified that she was the main negotiator for BMG and that she recalls telling Mr. Escamilla that she had questions about Plaintiff's credibility because she believed that "M2" was Defendants' mark and that Plaintiff was infringing it. Decl. of David Caplan; Exh. 22 (Kim Depo.), pp. 581-584. Defendants argue that there was no injury because BMG eventually went through with part of the deal and Plaintiff cannot show that the reason BMG did not go through with the remaining part of the deal was because of Ms. Kim's questions. In addition, Ms. Kim testified that she "probably thought they [Plaintiff and Defendants] were two separate companies." *Id.* at 588; Defs.' Reply, pp. 12-13. Thus a reasonable jury could find that Ms. Kim was not confusing Plaintiff and its products with Defendants and their products; she was simply confused about which party had the right to use the "M2" mark. Ms. Kim's doubts about Plaintiff's integrity may have left Plaintiff with the perceived need to refute "the false implication that [it] ha[d] 'pirated' [and manufactured] the work of another," *DeCosta v. Viacom Int'l, Inc.*, 981 F.2d 602, 610 (1st Cir. 1992), *cert. denied*, 509 U.S. 923 (1993), as opposed to having to dispel the notion that Viacom, which also used "M2," was the actual source of Plaintiff's goods. But even if Plaintiff had that concern, its claim would not be for trademark infringement, but for another tort, perhaps "commercial disparagement" (also known as "injurious falsehood"). *Id.* As then-Chief Judge Breyer explained in *DeCosta*:

> The existence of these other carefully tailored types of protection also cautions strongly against introducing into trademark law, a kind of overriding concept such as the actionable harm of "falsely being thought a pirate," which concept could well upset the balance between those interests favoring free use and dissemination—a balance carefully developed by legislatures, and slowly by courts, over many years.

Id. at 610.[4] Thus, the evidence pertaining to Ms. Kim and the BMG negotiations is not evidence that Defendants' alleged trademark infringement caused Plaintiff any actual injury. The same is true of Plaintiff's proffer of Ms. Naomi Yamaga's testimony; she was not actually confused about the source of Plaintiff's products. Indeed, she understood that "M2: Music Television" had "nothing to do with Mr. Escamilla's company." Supplemental Decl. of Larry McFarland in Reply, Exh. 1 (Yamaga Depo.), 93:11-21.[5]

The only other evidence Plaintiff offers to show actual consumer confusion is a 2001 survey conducted by Consumer Pulse, revealing that "21% of young adult re-

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[4] Judge Paez also relied on this First Circuit case in his Order at pages 1068-69 and the Ninth Circuit did not address the issue on appeal.

[5] Plaintiff also mentions that a Stanford student emailed M2 Software asking for more information about MTV's second network channel. Decl. of Steven L. Barron in Opp'n to First Summary Judgment Motion (Oct. 4, 1999), Exh. 25 (Yaconelli Depo. and email). One isolated instance of actual confusion such as this is too insubstantial to show that Defendants caused Plaintiff injury. *See Harper House, supra*, at 210 ("A Harper House witness did testify that some retailers thought Time Maker might be a Harper House product, and that he had to explain to them that it was not. The district court itself acknowledged that this evidence of confusion was 'insubstantial.' . . . We agree with the district court that Harper House failed to present any evidence of injury. . .").

spondents indicated that they watched the 'M2' network regularly or extensively" and that an "additional 41% of respondents . . . had at least heard of, or were familiar with, the 'M2' network even if they didn't watch it regularly." Pl.'s Opp'n, p. 12; Decl. of Dave Escamilla, Exh. 19. According to Escamilla, Exhibit 19 consists of:

> . . . true and correct copies of a consumer survey conducted by Consumer Pulse, Inc., a national survey organization . . .[,] the data results to that survey entered by Consumer Pulse, Inc., and a letter of verification from the organization's director dated September 19, 2001. Consumer Pulse, Inc. administered the survey, in person, at a major regional shopping center in Jacksonville, Florida from June 2001 through August 2001. Neither Consumer Pulse, Inc. nor the participants had any knowledge of the litigation, the parties, or the purpose of the survey.

Decl. of Dave Escamilla, ¶ 22.[5] The director of Consumer Pulse does not provide any information about the reliability of the survey design and implementation, only certifying that "all information in the spreadsheet is accurate and is the exact response of each individual that participated in this study." *Id.*, Exh. 19-2-.1:1.

The Court has previously addressed the issue of this exact survey in *M2 Software, Inc. v. Madacy Entertainment, et al.*, CV 00-2853 AHM (RZx) ("*Madacy*"), ruling it inadmissible. Plaintiff submitted an identical survey and spreadsheet in opposition to Madacy Entertainment, et al.'s motion for summary judgment. *Madacy*, Decl. of Dave Escamilla in Opp'n (Oct. 22, 2001), Exh. 14. The only difference is that in this case, Escamilla included a

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[5] Defendants understandably object to the very introduction of this survey because this is the first they learned of it and the discovery cutoff was in 1999. Defs.' Reply, p. 14.

brief letter from the director of Consumer Pulse. Escamilla's declaration in the *Madacy* case reveals that he designed the survey himself and simply commissioned Consumer Pulse to administer it and tabulate the results. *Madacy*, Decl. of Dave Escamilla, ¶ 30. In *Madacy*, Judge Baird ruled the survey evidence inadmissible because the "undisputed facts show that Dave Escamilla failed to establish that the survey was created or conducted in a manner that complied with the appropriate standards for creating a survey." *Madacy*, Order Granting Summary Judgment in Part, Denying in Part (Jan. 8, 2004), 19:11-14 (citing *Click Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252, 1263 (9th Cir. 2001) (court decides threshold issue of admissibility, considering whether survey is "relevant and conducted according to accepted principles.") When *Madacy* was transferred from Judge Baird to this Court, the issue arose again on a motion in limine to exclude a report Mr. Escamilla prepared from the Consumer Pulse spreadsheet. I ruled the report inadmissible, relying on Judge Baird's prior order and finding that Escamilla is not qualified as an expert on consumer surveys. *Madacy*, Rulings on Certain Motion *In Limine* (Jan. 3, 2003), pp. 5-9. I reached the same results here, for much the same reasons.

Plaintiff has not submitted any evidence from which a reasonable jury could conclude that Defendants' alleged trademark infringement caused Plaintiff actual injury. Accordingly, Plaintiff cannot recover actual damages, whether they be measured by lost profits, corrective advertising, or Defendants' profits. The Court GRANTS summary adjudication on the issue of actual damages.

B. Other Avenues of Relief

1. Reasonable Royalty

Plaintiff argues that it is entitled to a reasonable royalty as a measure of Defendants' unjust enrichment re-

sulting from the alleged infringement. Pl.'s Opp'n, pp. 19-20 (citing *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947 (7th Cir. 1992), *remanded and aff'd in relevant part, rev'd in part*, 34 F.3d 1340 (7th Cir. 1994)). In this case, damages based on a reasonable royalty theory would be impermissibly speculative. Unlike almost all of the relatively few cases approving "royalty awards" for trademark infringement (*e.g. Sands, supra; Boston Prof'l Hockey Ass'n v. Dallas Cap & Emblem Mfg.*, 597 F.2d 71 (5th Cir. 1979)), there is no evidence that any licensing negotiations occurred between the parties and there is no evidence that M2 Software was ever willing to license its mark to anyone. For these reasons, Plaintiff cannot recover under a royalty theory of damages. *Accord Trovan, supra*, *15-18 (vacating jury's reasonable royalty award, because that award had "no basis in reality, much less any basis in fact" where there was no evidence that plaintiffs would have licensed their mark).

2. Unjust Enrichment: Defendants' Profits

A successful trademark plaintiff is not entitled to an accounting of defendant's profits on a theory of unjust enrichment unless the infringement was willful. *Gracie v. Gracie*, 217 F.3d 1060, 1068 (9th Cir. 2000); *Lindy Pen Co., Inc. v. Bic Pen Corp.*, 982 F.2d 1400, 1405-06 (9th Cir. 1993) *cert. denied*, 510 U.S. 815 (1993). In the context of a reverse confusion case like this one, the issue is not whether the junior user (Viacom, et al.) intended to profit on the senior user's (M2 Software) good name, but whether the junior user acted in bad faith. *Trovan, supra*, at *24-25 (citing *Sands, supra*, at 947). Courts take into account factors such as whether defendant conducted a basic trademark search, whether defendant sought the advice of counsel, and whether defendant obtained a trademark registration from the PTO. *Id.*

By Plaintiff's own account, Defendants conducted a basic trademark search in 1996 over a month before they began to use the mark in connection with their second television station. They sought the advice of Senior Vice President and Deputy General Counsel of Intellectual Property and Litigation, Robin Silverman. They responded to each of Plaintiff's cease and desist letters articulating their belief that the marks were different and unlikely to cause confusion. Reply SGI, ¶¶ 98-99; Decl. of Dave Escamilla, Exh. 24, pp. 277-79, 283-85 (responses to cease and desist letters). Defendants also applied for trademark registration with the United States Patent and Trademark Office ("PTO") and while the application was suspended due to the likelihood of confusion with other marks, Plaintiff's mark was not one of the marks to which the PTO was referring. Supplemental Decl. of Larry McFarland in Reply, Exh. 17 (Defs.' correspondence with PTO); Decl. of David Caplan, Exh. 3-199 (PTO denial of Pl.'s Letter of Protest).[7] "Infringement is not willful if the defendant might have reasonably thought that its proposed usage was not barred by the statute." *Blockbuster Videos, Inc. v. City of Tempe*, 141 F.3d 1295, 1300 (9th Cir. 1998) (citations omitted). Defendants and their in-house counsel could have reasonably believed that their use of the trademark was not infringing, especially in light of the PTO's examination.

Plaintiff argues that a jury could find Defendants' conduct willful based on their history of willful infringement

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[7] Plaintiff argues that Defendants withheld from the PTO the fact that interactive use would be offered in connection with the new television channel. Opp'n, p. 21. The interactive component of Defendants' television channel was never an important part of that product. See Judge Paez's Order at 1064; "Intel's Intercast technology was a commercial failure and has been phased out. Only three or four people ever viewed the Intercast additional programming elements for M2: Music Television."

in unrelated cases. Pl.'s Opp'n, p. 20. Specifically, Plaintiff cites *TV Land, L.P. v. Viacom Int'l, Inc.*, 908 F. Supp. 543, 549 (N.D. Ill. 1995), and the "widely publicized" fact that Defendants "forced" Spike Lee to settle "when Viacom decided that it would like to use the 'SPIKE' name in the television business." Pl.'s Opp'n, p. 20. *TV Land, supra*, does not support Plaintiffs assertion, as it involved a preliminary injunction and the court did not make any findings on the issue of the defendants' intent. *Id.* at 553. Plaintiff does not cite any evidentiary support for his allegations regarding Defendants' treatment of Spike Lee and the Court therefore disregards them.

There is not sufficient evidence from which a jury could reasonably conclude that Defendants acted in bad faith. Accordingly, the Court GRANTS summary adjudication regarding accounting of Defendants' profits as a remedy for unjust enrichment.

3. Punitive Damages

Defendants are entitled to summary adjudication on the issue of punitive damages because the Lanham Act does not authorize punitive damages for trademark infringement. *Duncan v. Stuetzel*, 76 F.3d 1480, 1490 (9th Cir. 1996); *Harper House, supra*, at 200 n.1. As *McCarthy* explains, punitive damages are often unnecessary because the "federal statute permits not only up to a trebling of actual damages but also an unlimited increase of an award of defendant's profits." 5 *McCarthy* § 30:97 (4th ed. 2003).

4. Enhanced Damages

The Lanham Act gives courts the discretion to award damages "for any sum above the amount found as actual damages, not exceeding three times such amount." 15 U.S.C. § 1117(a) (West 2004). Like accounting of profits, enhanced damages are not available unless the

defendant's conduct is willful. *Nintendo of Am., Inc. v. Dragon Pac. Int'l*, 40 F.3d 1007, 1010 (9th Cir. 1994), *cert. denied*, 515 U.S. 1107 (1995). The Court GRANTS summary adjudication on the issue of enhanced damages because a jury could not reasonably find that Defendants' conduct was willful.

5. Attorney's Fees

The Lanhan Act gives courts the authority to award reasonable attorneys' fees to the prevailing party in "exceptional circumstances." 15 U.S.C. § 1117(a) (West 2004). "While the term 'exceptional' is not defined in the statute, generally a trademark case is exceptional for purposes of an award of attorneys' fees when the infringement is malicious, fraudulent, deliberate or willful." *Lindy Pen*, *supra*, at 1409; *accord Gracie*, *supra*, at 1068. The Court GRANTS summary adjudication on the issue of attorneys' fees for the same reasons discussed above regarding accounting of Defendants' profits.

Although Defendants have requested a ruling on each of their evidentiary objectives to Plaintiff's exhibits, the Court declines to rule on issues that are not necessary to resolve this motion for summary judgment. Defs.' Objections to Evidence Offered by Pl. in Opp'n, 2:6-7.

CONCLUSION

For the foregoing reasons, the court DENIES Defendants' Motion for Summary Judgment and GRANTS their Motion for Summary Adjudication of Issues as to Damages and Attorneys' Fees.[*]

Defendants' Motion *in Limine* to Exclude Plaintiff's Tax Returns and the Expert Reports and Testimony of Bruce L. Ross is MOOT because that evidence is only rel-

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[*] Docket No. 270.

evant to damages and this Order grants summary adjudication in favor of Defendants on the issue of damages."

This Order is not intended for publication.

IT IS SO ORDERED.

DATE: March 12, 2004 /s/ A. Howard Matz
United States District Judge

" Docket No. 275.

APPENDIX D
UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

No. 00-56426
D.C. No. CV-98-08734-RAP

M2 SOFTWARE INC., a corporation,
Plaintiff-Appellant,

v.

VIACOM, INC., a corporation; et al.,
Defendants-Appellees.

ARGUED AND SUBMITTED NOV. 5, 2001
DECIDED JANUARY 30, 2002

MEMORANDUM*

Before PREGERSON, REINHARDT, and SILVERMAN, Circuit Judges.

M2 Software appeals the district court's grant of summary judgment in favor of Viacom. Because the facts are known to the parties, we will not recite them in detail except as necessary. We have jurisdiction pursuant to 28 U.S.C. § 1291, and we reverse.

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* This disposition is not appropriate for publication and may not be cited to or by the courts of this circuit except as may be provided by Ninth Circuit Rule 36-3.

To prevail on its claim of trademark infringement in violation of the Lanham Act, M2 Software must show (1) that it has a valid mark entitled to protection under the Act, and (2) that Viacom's mark creates a likelihood of confusion. *See Brookfield Communications, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036, 1046 (9th Cir. 1999). The district court concluded that M2 Software had a valid trademark in its Record Label Management System ("RLMS"), but that Viacom's "M2: Music Television" cable channel did not create a likelihood of confusion. *See M2 Software, Inc. v. Viacom, Inc.*, 119 F. Supp. 2d 1061 (2000).

We review de novo the district court's grant of summary judgment. *Interstellar Starship Servs., Ltd. v. Epix, Inc.*, 184 F.3d 1107, 1109 (9th Cir. 1999), *cert. denied*, 528 U.S. 1155, 120 S.Ct. 1161, 145 L. Ed. 2d 1073 (2000). "Because of the intensely factual nature of trademark disputes, summary judgment is generally disfavored in the trademark arena." *See id.* (citing *Levi Strauss & Co. v. Blue Bell, Inc.*, 778 F.2d 1352, 1356 n. 5 (9th Cir. 1985)).

M2 Software contends that it had a valid M2 trademark not only on the RLMS product, but also on several CD-ROMs it created between 1991 and 1997, including the BPC Interactive, Hijack Interactive, and Killer Grab-bag of Shards. We agree. M2 Software registered the M2 trademark on the federal register for computer software including "interactive multimedia applications for entertainment, education and information, in the nature of artists' performances and the biographical information from the film and music industries." U.S. Trademark No. 1,931,182 (registered Oct. 31, 1995). Federal registration of a trademark is prima facie evidence of the validity of the registered mark for the goods or services specified. Lanham Act § 7(b), 15 U.S.C. § 1057(b). The CD-ROMs fall squarely within the terms of the registration, and

Viacom does not argue that the registration was invalid in any way or that M2 Software had canceled or abandoned the mark.

Moreover, M2 Software is the indisputable senior user of the M2 mark based upon the introduction of its RLMS product in 1991, and the senior user "has the right to enjoin 'junior' users from using confusingly similar marks in the same industry or market or within the senior user's natural zone of expansion." *Brookfield Communications*, 174 F.3d at 1047. Accordingly, we conclude that M2 Software had valid trademark rights in the M2 mark that extended to its CD-ROM products.

M2 Software argues that Viacom's use of the M2 mark created a likelihood of confusion. Specifically, M2 Software alleges that the use of the mark created a likelihood of reverse confusion, which occurs when consumers doing business with the senior user mistakenly believe that they are dealing with the junior user. *See Dreamwerks Prod. Group Inc. v. SKG Studio*, 142 F.3d 1127, 1129 (9th Cir. 1998). In determining whether there is a likelihood of confusion, the following factors are relevant: (1) strength of the mark, (2) proximity of the goods, (3) similarity of the marks, (4) evidence of actual confusion, (5) marketing channels used, (6) type of goods and the degree of care likely to be exercised by the purchaser, (7) defendant's intent in selecting the mark, (8) likelihood of expansion of the product lines. *See AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348 (9th Cir. 1979). In a reverse confusion case, such as this one, the first three factors are "pivotal." *Dreamwerks*, 142 F.3d at 1130. "[I]n a close case amounting to a tie, doubts are resolved in favor of the senior user," which is M2 Software. *Dr. Seuss Enterprises, L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394, 1404 n. 14 (9th Cir. 1997).

We conclude that M2 Software has brought forth sufficient evidence that "would permit a rational factfinder to

find a likelihood of confusion." *Interstellar Starship Servs., Ltd.*, 184 F.3d at 1112. The evidence, viewed in the light most favorable to M2 Software, *see id.* at 1109, supports an inference that Viacom's M2: Music Television and use of the M2 mark in connection with Intel's Intercast Technology created a likelihood of confusion with M2 Software's music-industry products.

REVERSED and **REMANDED** for trial.

PREGERSON, Circuit Judge, Dissenting.

I disagree with the majority as to whether M2 Software's M2 trademark extends to its CD-ROM products. I think that Judge Paez, who handled the case in the district court, got it right when he concluded that M2 Software's trademark ownership should be analyzed in connection with its CD-ROM products at the time when the CD-ROM products were first used in commerce, and not when M2 Software first acquired its rights in the M2 mark through its use on prior products. Accordingly, I respectfully dissent because I think the CD-ROM products should not have been included in the likelihood of confusion analysis as they were not used in commerce before Viacom used its mark.

APPENDIX E

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

No. CV 98-8734 RAP MCX

M2 SOFTWARE INC., a Delaware corporation,
Plaintiff,

v.

VIACOM, INC., a Delaware corporation; VIACOM INTERNATIONAL, INC., a Delaware corporation; and MTV NETWORKS COMPANY, a Delaware corporation,
Defendants.

JULY 27, 2000

ORDER GRANTING SUMMARY JUDGMENT

PAEZ, District Judge.

I.
Introduction

Plaintiff M2 Software, Inc. brings this action for damages against defendants Viacom, Inc., Viacom International, Inc. and MTV Networks Company for trademark infringement and unfair competition. Plaintiff owns the federally registered trademark for the M2 mark. Plaintiff asserts that defendants unlawfully infringed the M2 mark when they used it to describe their second cable network, M2: Music Television. As a result, plaintiff filed its complaint against defendants on October 28, 1998,

alleging seven federal and state causes of action, including trademark infringement, unfair competition, trademark dilution and unfair business practice.

Plaintiff previously moved for a preliminary injunction barring defendants' use of the M2 mark in conjunction with the M2: Music Television channel or any other product. The Court denied the motion, finding that, although plaintiff had shown a likelihood of success on the merits, it had not shown a possibility of irreparable harm because the plaintiff had delayed in bringing the motion and the evidence did not show the imminent expansion of defendant's business. *See M2 Software, Inc. v. Viacom Inc. et al.*, No. CV 98-8743 RAP (MCX) (C.D. Cal. filed January 27, 1999) ("Preliminary Injunction Order").

Following the denial of the preliminary injunction, defendants changed the logo of their new programming service from "M2: Music Television" to "MTV 2."

Pending before the Court is defendants' motion for summary judgment. Defendants argue that plaintiff's 1st, 2nd, 4th, 6th, and 7th causes of action[1], which encompass defendants' alleged infringement of plaintiff's trademark, should be dismissed because four of plaintiff's five products were never "used in commerce" so as to invoke trademark protection and defendants did not infringe the trademark of the one protected product. Defendants argue that plaintiff's 3rd and 5th causes of action for federal and state dilution, under 15 U.S.C. § 1125(c) and Cal.

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[1] These causes of action are for: federal statutory trademark infringement (15 U.S.C. § 1114, et seq.), trademark infringement and false designation of origin (15 U.S.C. § 1125), common law trademark infringement, common law passing off and unfair competition, and state statutory unfair trade practice (Cal. Bus. Prof.Code § 17200, et. seq.). Because each of these claims is based on the alleged infringement of plaintiff's trademark, these claims will be analyzed together in the Trademark Infringement section of this order.

Bus. Prof. Code § 14330, should be dismissed because plaintiff's mark is not famous. Defendants also argue that plaintiff sustained no damage from defendants' conduct.

II.
Factual Background

M2 Software, a Delaware corporation based in Los Angeles, owns the federally registered trademark "M2." The corporation is a one-man operation, run entirely by Dave Escamilla, a musician and a graduate of Stanford College and Wharton School of Business. Escamilla began doing business as M2 Software in Fall 1991.

His original product was the M2 Multimedia Sampler, later called M2 BPC interactive. This was a program that allowed a viewer to hear clips of music and watch animation and video footage. The product was available on floppy disc and cassette tape, and it was downloadable as "shareware," whereby a consumer could download the program via an on-line service and later pay for the program if he chose to keep it. M2 Software offers no proof of any sales of this product. Plaintiff admits that this product was not commercially available after 1995.

In 1991, M2 Software began marketing its Record Label Management System ("RLMS"), a software system for use by record companies in managing royalties and other information related to their music and video products. Between 1992 and 1997, plaintiff licensed RLMS systems to thirteen recording companies. It modified the system in 1993 or 1994 by adding a feature that let users link to clips of music and videos. Defendants claim that this feature is not mentioned in any brochures for the product, and that none of the thirteen licensees' systems have music or video content. Plaintiff claims this feature provides music and video functionality—not con-

tent—and that this capability is installed at client sites. Plaintiff does not advertise the RLMS system.

Plaintiff's trademark registration issued on October 31, 1995, based upon plaintiff's first use in October of 1991. The trademark issued for use on "computer software featuring business management applications for the film and music industries; and interactive multimedia applications for entertainment, education and information, in the nature of artists' performances and biographical information from the film and music industries; and instructions and information for playing musical instruments."

In 1997, plaintiff created an interactive video CD–ROM under the M2 label featuring the group Marden Hill for Stepping Stone Recordings. Stepping Stone sent promotional copies of the product to retail record stores. The CD was listed in an ad in Spin Magazine for a Marden Hill album.

In late 1998, plaintiff produced a CD–ROM under the M2 label featuring a performer called Buckethead. The CD was given away or sold as a promotion by Buckethead at concerts, through mail order, and on the Buckethead website. In March 1998, plaintiff placed an ad in Guitar Magazine promoting an instructional video by Buckethead and the CD. In 1999, plaintiff began distributing the CD through Amazon.com.[2]

Defendants are all Delaware corporations involved in the entertainment industry, encompassing the music,

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[2] Plaintiff originally alleged in its complaint that it also produced a fifth product—the M2 Music Service. Defendants contend that this product is merely a list of domain name registrations, and one of those listed, M2MUSIC.COM is not an active web site. Plaintiff does not mention this product in its opposing memorandum, and the Court does not consider this product in this infringement inquiry.

television, recording and multimedia fields. In particular, MTV Networks operates two music channels broadcasting primarily through cable and satellite providers. In August 1996, MTV Networks launched its second cable network, called M2: Music Television. The M2: Music Television network was initially available only to subscribers with C-band satellite dishes, large satellite dishes typically utilized in rural areas. Only three million viewers originally had access to the channel, and Los Angeles and Manhattan were "blacked out" from viewing the channel. Today, the M2: Music Television channel maintains a subscriber base of eleven million consumers. Defendants have never sold advertising on M2: Music Television and they have provided the programming to cable and satellite operators for no charge.

Around the time defendants launched M2: Music Television, defendants entered into an agreement with Intel which enabled defendants to provide additional programming elements that could be accessed through Intel's Intercast technology. These elements were part of the analog feed that supplied the programming—not part of the internet. Thus, to access this technology, a consumer had to receive an analog feed of M2: Music Television. Further, the consumer needed to purchase Intel's Intercast TV tuner card. Intel's Intercast technology was a commercial failure and has been phased out. Only three or four people ever viewed the Intercast additional programming elements for M2: Music Television.

III.
Discussion

A. Summary Judgment Standard

Summary judgment is appropriate when "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and

that the moving party is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(c); *see Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 106 S. Ct. 1348, 89 L. Ed. 2d 538 (1986).

The moving party bears the initial burden of demonstrating the absence of a genuine issue of material fact. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 256, 106 S. Ct. 2505, 91 L. Ed. 2d 202 (1986). Whether a fact is material is determined by looking to the governing substantive law; if the fact may affect the outcome, it is material. *Id.* at 248, 106 S. Ct. 2505. If the moving party seeks summary adjudication with respect to a claim or defense upon which it bears the burden of proof at trial, its burden must be satisfied by affirmative, admissible evidence. By contrast, when the non-moving party bears the burden of proving the claim or defense, the moving party can meet its burden by pointing out the absence of evidence submitted by the non-moving party. The moving party need not disprove the other party's case. *See Celotex Corp. v. Catrett*, 477 U.S. 317, 325, 106 S. Ct. 2548, 91 L. Ed. 2d 265 (1986).

If the moving party meets its initial burden, the "adverse party may not rest upon the mere allegations or denials of the adverse party's pleadings, but the adverse party's response, by affidavits or as otherwise provided in this rule, must set forth specific facts showing that there is a genuine issue for trial." Fed. R. Civ. P. 56(e).

In assessing whether the non-moving party has raised a genuine issue, its evidence is to be believed, and all justifiable inferences are to be drawn in its favor. *Anderson*, 477 U.S. at 255, 106 S. Ct. 2505, *citing Adickes v. S.H. Kress and Co.*, 398 U.S. 144, 90 S. Ct. 1598, 26 L. Ed. 2d 142 (1970). Nonetheless, "the mere existence of a scintilla of evidence" is insufficient to create a genuine issue of material fact. *Id.* at 252, 106 S. Ct. 2505. As the Supreme Court explained in *Matsushita*,

> [w]hen the moving party has carried its burden under Rule 56(c), its opponent must do more than simply show that there is some metaphysical doubt as to the material facts. . . . Where the record taken as a whole could not lead a rational trier of fact to find for the nonmoving party, there is no "genuine issue for trial."

Matsushita Elec. Indus. Co., 475 U.S. at 586-87, 106 S. Ct. 1348.

To be admissible for purposes of summary judgment, declarations or affidavits must be based on personal knowledge, must set forth "such facts as would be admissible in evidence," and must show that the declarant or affiant is competent to testify concerning the facts at issue. Fed. R. Civ. P. 56(e). Declarations on information and belief are insufficient to establish a factual dispute for purposes of summary judgment. *Taylor v. List*, 880 F.2d 1040, 1045 (9th Cir. 1989).

Summary judgment is not treated as "a disfavored procedural shortcut" but as "an integral part of the Federal Rules as a whole, which are designed 'to secure the just, speedy and inexpensive determination of every action.'" *Celotex*, 477 U.S. at 327, 106 S. Ct. 2548, quoting Fed. R. Civ. P. 1.

B. Trademark Infringement

"A trademark is a limited property right in a particular word, phrase or symbol." *New Kids On The Block v. News America Publishing, Inc.*, 971 F.2d 302, 306 (9th Cir. 1992). "In a trademark infringement claim, the plaintiff must demonstrate: (1) the validity of its trademark; and (2) the infringement of that mark." *Platinum Home Mortgage Corp. v. Platinum Financial Group, Inc.*, 149 F.3d 722, 726 (7th Cir. 1998).

1. Prior Commercial use of the M2 Trademark

Plaintiff can only succeed on its trademark claims if its trademark M2 is entitled to protection. As proof of its

validity, plaintiff points to the federal registration of the trademark. Plaintiff also argues that it has used the trademark in commerce since 1991.

A federal trademark registration is prima facie evidence of the registrant's ownership of the mark and provides a presumption of validity. *See Sengoku Works Ltd. v. RMC International, Ltd.*, 96 F.3d 1217 (9th Cir. 1996). However, "[o]wnership rights flow only from prior use, either constructive or actual." J. Thomas McCarthy, 3 McCarthy on Trademarks and Unfair Competition § 16:18 (1999). Thus, federal registration provides the holder with a presumption of ownership—but not actual ownership. Actual ownership derives from prior use. *Id.*

A trademark is used by attaching it to a product and placing it in the flow of commerce. Therefore, a necessary corollary of the prior use rule is that a trademark is only entitled to protection once it is attached to a specific product. Thus, a registered trademark holder does not own a mark merely when he knows the type of products he hopes to market or intends to market a certain product. *See Societe de Developments et D'Innovations des Marches Agricoles v. International Yogurt Co.*, 662 F. Supp. 839, 852 (D. Or. 1987). Exclusive rights to a mark are secured when a product bearing the mark is placed in the marketplace, or, under language of the Lanham Act, is "used in commerce." *Zazu Designs v. L'Oreal, S.A.*, 979 F.2d 499, 503 (7th Cir. 1992). This rule is designed to protect other potential market entrants by providing notice of the existence of a mark and its association with a product before substantial sums are invested in promotion. *Id.* Accordingly, trademark ownership is analyzed in connection with a given product at the time it is "used in commerce," not at the time its owner first acquired rights in the mark through its use on prior products. Ownership of a mark does not grant protection ad infinitum for any product its owner may at some point

choose to adorn with the mark. This idea is buttressed by case law allowing a party to use a pre-existing mark on a different product in a different market from that of the original user. *See McGregor-Doniger, Inc. v. Drizzle, Inc.*, 599 F.2d 1126 (2d Cir. 1979) (allowing manufacturer of expensive women's coat to use trademark "Drizzle," despite prior registration of "Drizzler" mark for plaintiff's cheaper golf jackets); *King Research, Inc. v. Shulton, Inc.*, 454 F.2d 66 (2d Cir. 1972) (finding "Ship Shape" on hairspray did not infringe registered "Ship Shape" trademark for comb and brush cleaners).

Given the foregoing rules, whether plaintiff's trademark is entitled to protection must be analyzed as to each product bearing the M2 mark by considering the date that each was placed in commerce. Plaintiff's M2 Multimedia Sampler was used in commerce from 1991 to 1995. Plaintiff's RLMS system has been used in commerce from 1991 to the present. Plaintiff's Marden Hill CD was placed in commerce in 1997, and plaintiff's Buckethead CD was placed in commerce in 1998. Defendants' M2: Music Television programming was used in commerce with the M2 mark from 1996 to 1999. A simple analysis of this timeline reveals that plaintiff's ownership of the M2 trademark, at the time defendants entered the market, was only enforceable in connection with its RLMS system because RLMS was the only product commercially available at the time M2: Music Television entered the market. The M2 Multimedia Sampler was no longer used in commerce, and the two CD's had not yet been used in commerce. Defendants had no notice of the association of the trademark M2 with these three products when it entered the market with the M2: Music Television mark. The association of M2 with RLMS, a narrowly focused accounting system, was insufficient to give defendants notice of this association, and, therefore, use of the M2 mark with RLMS does not validate plaintiff's

use of the mark with earlier or later products. Because the trademark M2 was "used in commerce" by plaintiff only in connection with RLMS at the time defendants entered the market, plaintiff can only succeed on its infringement claim with reference to this product.[3]

2. Infringement of M2's Trademark

a. The Allegedly Infringing Conduct

Before an infringement claim can be resolved, the products involved and the allegedly infringing conduct must be delineated. As described above, plaintiff's trademark could only have been infringed by defendants with respect to its RLMS product. The RLMS is a software system which allows recording companies to keep track of their royalties. Consumers of the product license the system from plaintiff. Escamilla personally installs the system and, as part of the license, provides upkeep on the system for one year. Plaintiff has licensed the system to thirteen companies. Thus, each consumer seeks and receives a personalized product.

Plaintiff claims the system has video and audio capabilities, whereby licensees can install video and audio content relating to their clients. Defendants claim that this capability is not mentioned in the RLMS brochure and that not one of the thirteen licensees have used this capability. Defendants provide deposition testimony from a number of the licensees which backs up this assertion. Plaintiff provides testimony from two licensees which suggest their systems may have such capabilities but that

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[3] Defendants argue that infringement should be judged only as to the RLMS system because plaintiff's other products never have been used in commerce. The Court does not consider this argument because it is clear that, at the time defendants entered the market with the M2: Music Television mark, plaintiff's other products either were no longer or had not yet been used in commerce.

the capabilities have never been used by either licensee. *See* Plaintiff's Exs. 14:911-13, 24:1601-04. Because the facts must be viewed in the light most favorable to the plaintiff on this motion for summary judgment, the Court assumes the product features this capability.

Defendants entered the market in 1996 with a music video programming service bearing the mark M2. Defendants provide the service to satellite and cable providers who then transmit the service to television viewers around the country. It seems clear that, when the service was introduced, defendants intended the service to be compatible with computers such that viewers could access the service through their computers. The Intel agreement highlights this intent. However, the evidence clearly shows that this capability did not materialize. Intel no longer offers the technology which provided access to defendants' programming, and neither party alleges that M2: Music Television could be accessed by computer in any other way. Only three or four people ever accessed defendants' programming via computer.

Trademark infringement actions do not turn on the alleged appropriation of the trademark. *Dr. Seuss Enterprises, L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394, 1403 (9th Cir. 1997). Instead, they turn on whether the junior mark causes a likelihood of confusion in the marketplace. *Id.* This matter presents the unusual situation of reverse confusion. Reverse confusion occurs when consumers do business with the senior user under the mistaken impression it is the junior user. *Dreamwerks Production Group, Inc. v. SKG Studio*, 142 F.3d 1127, 1129 (9th Cir. 1998). Claims of trademark infringement and reverse confusion rely on the same test—likelihood of confusion. *See generally id.*

The test for determining the likelihood of confusion "is whether a 'reasonably prudent consumer' in the marketplace is likely to be confused as to the origin of the good

or service bearing one of the marks." *Id.* at 1129. The Ninth Circuit looks to eight specific factors when evaluating the likelihood of confusion:

(1) the strength of the plaintiff's mark;

(2) relatedness of the goods;

(3) similarity of the marks;

(4) evidence of actual confusion;

(5) marketing channels;

(6) type of goods and purchaser care;

(7) intent; and

(8) likelihood of expansion.

Id. citing AMF, Inc. v. Sleekcraft Boats, 599 F.2d 341, 348-49 (9th Cir. 1979). The *Sleekcraft* factors are not exhaustive. *Sleekcraft*, 599 F.2d at 348 n. 11. In fact, "[o]ther variables may come into play depending on the particular facts presented". *Id.* In a reverse confusion case, the Ninth Circuit focuses on three particular factors: strength of the mark, similarity of the marks, and relatedness of the goods. *Dreamwerks*, 142 F.3d at 1130 ("Three of the Sleekcraft factors are pivotal here.").

b. The Sleekcraft Factors

i. Strength of Mark

The Court found in its prior ruling that the M2 mark is an arbitrary and fanciful mark, and therefore deserving of broad trademark protection. *See* Preliminary Injunction Order at 7-8, *citing Rodeo Collection, Ltd. v. West Seventh*, 812 F.2d 1215 (9th Cir. 1987); *National Customer Engineering Inc. v. Lockheed Martin Corp.*, 43 U.S.P.Q.2d 1036, 1038 (C.D. Cal. 1997). This conclusion remains unchanged.

ii. Relatedness of the Goods

In determining the relatedness of the products or services, the Court may consider whether the goods are: (1) complementary; (2) similar in use or function; or

(3) sold to the same class of purchasers. *Sleekcraft*, 599 F.2d at 350.

Plaintiff argues that the two products are complementary. Without specifically explaining how the products complement each other, plaintiff vigorously asserts that defendants intended their programming to be computer-ready. Needless to say, defendants may have intended their product to offer numerous features and capabilities which never made it to the marketplace. The ability to access and otherwise use the M2: Music Television programming with a computer appears to be one such feature. The evidence shows that the programming was not computer-ready, having been accessed via computer by only three or four people.

Though plaintiff does not argue this, RLMS's video capability suggests that the products could be complementary. RLMS users can input video content into the system; M2: Music Television contains video programming. Presumably, if all had proceeded according to defendants' plan, a viewer could download a video from M2: Music Television for input into the RLMS system. However, because M2: Music Television is not computer-ready, a user cannot take a video directly from M2: Music Television and copy it to a computer. As for compatibility with RLMS's main function of tracking royalties, plaintiff does not allege that recording companies are owed royalties when a client's video plays on M2: Music Television. Plaintiff simply cannot show complementary functions between the two products, and no reasonable trier of fact could conclude otherwise.

The products are not similar in use or function. RLMS is a computer software program for calculating royalties which allows users to input music and videos into the system. M2: Music Television is television programming, whose content is music videos. They both involve music and videos but in quite different ways. One

is an accounting and informational product, one is an entertainment programming product. Again, each potentially involves music and video, so the products relate to the same basic industry, but they are not "similar in use or function."

The third arm of the "relatedness" critique asks whether the goods are sold to the same class of purchasers. Plaintiffs contend that both parties "interact" with record companies. This may be true, but interaction does not equal consumption. Defendants argue that plaintiff's consumers differ from defendants' consumers. Defendants' consumers are cable and satellite providers while plaintiff's purchasers are record industry executives. As executives, they represent sophisticated consumers capable of discerning a difference between the products and their manufacturers.

The *Dreamwerks* case is instructive. It points out that the focus should rest on the consumers and whether they are likely to associate plaintiff's products with defendants. *Id.* It seems unlikely that plaintiff's consumers, record executives, could be confused as to whether MTV also markets the RLMS product. Escamilla personally markets and installs the system, and no evidence shows that any customer has thought Escamilla was allied with the defendants.

Thus, the goods do not complement each other, they do not have a similar use or function, and they are not sold to the same class of purchasers. According to the test, the goods do not "relate" to each other. The fact that both may relate to music and videos does not affect this outcome.

iii. Similarity of the Marks

The Court found in its prior ruling that the marks used by each party were identical under the "sight, sound and meaning" test. *See* Preliminary Injunction Order at

11-12, *citing Dreamwerks*, 142 F.3d at 1131. This finding remains unchanged.

iv. Actual Confusion

Defendants properly point out that plaintiff has failed to submit survey evidence or any proof that "an appreciable number of reasonably prudent purchasers exercising ordinary care" have been confused as to the source of plaintiff's product. *Lord Simon Cairns v. Franklin Mint Co.*, 24 F. Supp. 2d 1013, 1042 (C.D. Cal. 1998). In fact, plaintiff does not show proof that even one purchaser or potential purchaser of RLMS has been confused. Plaintiff points to one incident of alleged reverse confusion in which a record executive "question[ed] the credibility of M2 Software." Plaintiff's Opposition, 17:11. In response, defendants cite to a First Circuit case which held that trademark law did not provide relief for "falsely being thought a pirate." *DeCosta v. Viacom Int'l, Inc.*, 981 F.2d 602, 610 (1st Cir. 1992). Plaintiff does not allege that the consumer questioned whether defendants or plaintiff were the source of the RLMS product, only whether plaintiff was wrongly using defendants' trademark. Thus, the alleged incident does not present an actual case of reverse confusion.

It is true that the absence of actual confusion is not dispositive. *Rodeo Collection*, 812 F.2d at 1219 ("The lack of evidence of actual confusion is not controlling."); *see also E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1292 (9th Cir. 1992); *Eclipse Assocs. Limited v. Data General Corp.*, 894 F.2d 1114, 1118 (9th Cir. 1990). Still, the fact that plaintiff cannot point to one actual or potential RLMS consumer who confused the source of the product is telling.

v. Marketing Channels

"Advertising, as well as retail distribution, is considered in addressing this factor." *Walter v. Mattel*, 31 F.

Supp. 2d 751, 760-61 (C.D. Cal. 1998) *citing Nutri/System, Inc. v. Con-Stan Industries, Inc.*, 809 F.2d 601, 606 (9th Cir. 1987).

Plaintiff describes a number of its advertising channels, most of which seem to pertain to its CD–ROM products. None of the advertising specifically promotes RLMS. RLMS is mainly promoted via word of mouth. However, RLMS may benefit from small ads that plaintiff has taken out in the back of music magazines, which merely include the name "M2 Software." Defendants do not describe their methods of advertising M2: Music Television. Plaintiff argues, however, that the programming service has been advertised over the air, on-line, at trade shows, at promotional events, at live concerts, in retail music stores, and through press releases. Although the parties do not advertise their products in similar ways, both rely on music magazines.

As noted above, plaintiff's RLMS product is distributed to record companies, whereas defendants' product is distributed to cable and satellite providers. However, plaintiff's argument that both parties "interface" with record companies is relevant to this factor. Plaintiff shows that defendants have had contact with BMG Entertainment and Warner Brothers, two of plaintiff's customers, which supports the argument that they share "convergent marketing channels." *Nutri/System, Inc.*, 809 F.2d at 606. Clearly, both companies conduct business in the music industry. Given that plaintiff mainly promotes RLMS via word of mouth, it is important that all of the people Escamilla comes into contact with are aware of defendants and that some of them probably have indirect business contact with defendants. This element weighs in plaintiff's favor.

vi. Type of Goods and Consumer Care in Purchasing

The parties' products are not the same type of goods: one is a software system, while the other is music video television programming. Furthermore, RLMS customers use much care in selecting the product because RLMS cannot be purchased off the shelf. The consumer must meet with Escamilla, license the product, and have the product installed by Escamilla on-site. This evinces a high degree of consumer care in purchasing.

vii. Defendants' Intent

Plaintiff offers two arguments in favor of bad faith. First, defendants had notice of plaintiff's trademark but chose to use the mark anyway. Defendants do not deny that their counsel conducted a due diligence search of registered trademarks before adopting the M2 mark. They assert that their decision to go forward with the M2 mark suggests that they believed the products were different enough for them to proceed without committing infringement. Furthermore, they cite McCarthy for the argument that a junior user's actual or constructive notice of a senior user's mark does not necessarily show bad faith. 3 McCarthy § 23:109.

Second, plaintiff cites McCarthy for the proposition that a defendant's prior infringing conduct can be considered in a bad faith determination. It points out that defendants were enjoined from infringing a small Chicago retailer's TV Land trademark in the case *TV Land v. Viacom Int'l, Inc.*, 908 F. Supp. 543 (N.D. Ill. 1995). Defendants do not rebut this argument.

Defendants point out that the ultimate goal of this factor is to test whether the junior user intended to "palm off" its product as the product of the senior user. *GTE Corp. v. Williams*, 904 F.2d 536, 542 (10th Cir. 1990). Indeed, the Ninth Circuit has noted that intent to deceive

is not relevant in reverse confusion cases. *Dreamwerks*, 142 F.3d at 1130. This is so because a junior user in reverse confusion cases is larger and better known than the senior user and therefore is not attempting to palm off its products as the senior user's. This argument applies here. Given this argument's logic, and plaintiff's lack of proof of bad faith, this element weighs in defendants' favor.

viii. Likelihood of Expansion

This element weighs in defendants' favor, and indeed may be considered moot, because defendants have stopped using the M2 mark for its programming service. Even if defendants choose to expand the market for this product, it will not affect plaintiff's mark.

c. Application

Five of the eight Sleekcraft factors weigh in defendants' favor: the goods are not technically related; there is no evidence of actual confusion; there is a high degree of purchaser care; there is no evidence of bad faith; and there is no likelihood of expansion. Three Sleekcraft factors weigh in plaintiff's favor: the M2 trademark is strong; the parties's marks are extremely similar; and the marketing channels may be related.

The *Dreamwerks* court found that "[t]hree of the Sleekcraft factors are pivotal" in reverse confusion cases: strength of the mark, similarity of the mark, and relatedness of the goods. *Dreamwerks*, 142 F.3d at 1130. The first two factors weigh strongly in plaintiff's favor. The M2 trademark is strong because it is an arbitrary mark and it is identical to the mark placed in commerce by defendants. The third factor weighs in defendants' favor because the two products are not related: they are not complementary, they do not have similar functions, and they do not have the same distribution scheme. The *Dreamwerks* court noted that "the factors should not be

rigidly weighed; we do not count beans. Rather, the factors are intended to guide the court in assessing the basic question of likelihood of confusion." *Dreamwerks*, 142 F.3d at 1129 (quotations omitted), *quoting E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1293 (9th Cir. 1992).

Looking at the big picture, the Court finds that likelihood of confusion does not exist and that no reasonable trier of fact could conclude otherwise. The parties' products were extremely different at the time defendant entered the market, and there has been no actual confusion as to the source of RLMS. Mr. Escamilla may have every intention of using the M2 mark in connection with the production and marketing of musical, interactive CD-ROM's. Unfortunately, his intentions do not grant him automatic trademark protection in such products. Review of the Sleekcraft factors reflects the picture painted by the admissible evidence: plaintiff had not yet produced any such products at the time defendants entered the market. It may seem unfair that a company with a large presence in a market that Escamilla hoped to enter could gain rights to his existing mark before he had a chance to enter the market. However, trademark law protects the prior user, and the undisputed evidence shows that plaintiff had not yet entered the musical CD-ROM market with any of his products at the time defendants began to use the M2: Music Television mark. What plaintiff did market was an accounting software system, which Escamilla personally installed for thirteen recording companies. This system may have had a music/video component, but it is clear that RLMS's consumers did not purchase the system for this feature and indeed may have never even used the component. The undisputed admissible evidence shows that plaintiff's RLMS product was quite different from that offered by defendants. It was promoted differently and it was purchased by sophisti-

cated record company executives. Defendants were not seeking to misappropriate plaintiff's goodwill, and the threat from defendants' use of the mark, to the extent there was any, is now nonexistent. Plaintiff is now free to enter defendants' market with the M2 mark because defendants have changed their mark.

Defendants did not infringe plaintiff's M2 mark when they entered the market with M2: Music Television in 1996. There was no likelihood of confusion between the marks, and no reasonable jury could conclude otherwise. Defendants are entitled to summary judgment on plaintiff's trademark infringement claims.

C. Dilution

Defendants also move to dismiss plaintiff's third and fifth claims for relief for trademark dilution under the Federal Trademark Dilution Act, 15 U.S.C. § 1125, and California's trademark dilution statute, Cal. Bus. Prof. Code § 14330. Plaintiff premises its claim for damages by dilution[1] on 15 U.S.C. § 1125(c), which provides that

> the owner of a famous mark shall be entitled, subject to principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark[.]

15 U.S.C. § 1125(c)(1). Dilution is defined as "the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of (1) competition between the owner of the fa-

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[1] The California dilution statute provides for injunctive relief, but does not authorize damages. Therefore, to the extent plaintiff sought injunctive relief under the California statute, its claim is moot because defendants no longer utilize the M2 mark.

mous mark and other parties, or (2) likelihood of confusion, mistake or deception." 15 U.S.C. § 1127; *see also Panavision Int'l L.P. v. Toeppen*, 945 F. Supp. 1296, 1301 (C.D. Cal. 1996) ("Trademark dilution laws protect 'distinctive' or 'famous' trademarks from certain unauthorized uses of the marks regardless of a showing of competition or likelihood of confusion."), *aff'd, Panavision Int'l L.P. v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998).[5] To prove a violation of the Federal Trademark Dilution Act, a plaintiff must show that (1) the mark is famous; (2) the defendant is making a commercial use of the mark; (3) the defendant's use began after the mark became famous; and (4) the defendant's use of the mark dilutes the quality of the mark by diminishing the capacity of the mark to identify and distinguish goods and services. *Panavision*, 141 F.3d at 1324.

The Federal Trademark Dilution Act lists eight non-exclusive factors a court may consider in determining whether a mark is distinctive and famous. The statutory factors are:

> (A) the degree of inherent or acquired distinctiveness of the mark;
>
> (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;

---

[5] Traditionally, dilution has been found where the defendant's conduct either tarnishes or blurs the mark, but dilution is not limited to tarnishment and blurring. *Panavision Int'l*, 141 F.3d at 1326. When a famous mark is linked to products of lesser quality or portrayed in an unwholesome manner, the mark is tarnished. *Panavision Int'l*, 945 F. Supp. at 1304 (citations omitted). "'Blurring' involves a 'whittling away' of the selling power and value of a trademark by unauthorized use of the mark. Examples of blurring would be 'Pepsi' in-line skates or 'Microsoft' lipstick." *Id.*

(C) the duration and extent of advertising and publicity of the mark;

(D) the geographical extent of the trading area in which the mark is used;

(E) the channels of trade for the goods or services with which the mark is used;

(F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought;

(G) the nature and extent of use of the same or similar marks by third parties; and

(H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

15 U.S.C. § 1125(c)(1).

Defendants argue that plaintiff's dilution claims must fail because plaintiff's M2 mark is not famous. Furthermore, defendants argue that plaintiff failed to present evidence on this issue. Plaintiff claims that it has presented enough evidence on three of these eight factors to raise a triable issue of fact. Plaintiff argues that it has presented evidence on the acquired or inherent distinctiveness of its mark; the duration and extent of the use of the M2 mark in connection with its products; and the geographical extent of use. Plaintiff may have presented evidence as to these factors, but it is not enough to survive this motion. As noted above, it is true that plaintiff's mark is distinctive and that plaintiff has used the mark continually since 1991. However, plaintiff has not shown that its use has been geographically extensive. Plaintiff claims it has promoted its products with the mark nationally and internationally. Its evidence, however, simply does not show such a wide geographic range of use.

Plaintiff does not offer any cases which show that a mark of similar use was considered famous.

Furthermore, plaintiff's greatest use of the mark has been with its CD–ROM products. As noted, RLMS has been licensed to thirteen customers, whereas its CD–ROM's have been distributed at concerts, at record stores, and on the web. This means that, to the extent that plaintiff's mark is famous, it has become so since the time defendants entered the market. In 1996, plaintiff had not distributed any CD–ROM's.

Defendants offer survey evidence that the M2 trademark is not famous. A survey was conducted telephonically with 501 random respondents. The M2 mark received "a very low-level awareness" according to defendants' expert. *See* Defense Exhibit 31:2369. The awareness factor was 12% on an aided basis. The expert notes that 11% responded favorably to completely fictitious marks, and that a broad range of products were connected with the M2 mark. Only 1% connected M2 with CD's or music videos.

Plaintiff's mark is not famous, and more importantly, it *was* not famous at the time defendants entered the market. Given the admissible evidence submitted in connection with this motion, no reasonable jury could conclude otherwise. Defendants are entitled to summary judgment on plaintiff's dilution claims.

IV.

Conclusion

In the Court's prior order, we found that plaintiff had shown a likelihood of succeeding on the merits of his claims. The consideration of a more complete record leads the Court to reach a different conclusion at this stage of the litigation. In 1996, defendants began using the M2: Music Television mark. At that time, plaintiff was using the M2 mark in commerce with only one prod-

uct, its RLMS accounting program. Because its RLMS system is not related to defendants' M2: Music Television, there is no likelihood of confusion between the source of the two products. In sum, in adopting the M2: Music Television mark, defendants did not infringe plaintiff's M2 trademark and no reasonable jury could conclude otherwise. While plaintiff may have hoped to become a producer of interactive music and video CD-ROM's, and indeed, may have recently achieved this goal, the evidence clearly shows that plaintiff had not yet produced any such products with the M2 label in 1996. Because trademark law protects prior use, plaintiff cannot claim protection for products he had not yet placed on the market. Accordingly, defendants' motion for summary judgment is **GRANTED**. Judgment shall be entered in favor of defendants. Defendants shall recover their costs of suit as allowed by law.

IT IS SO ORDERED.

APPENDIX F
UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

No. 04-56794
D.C. No. CV-98-08734-AHM
CENTRAL DISTRICT OF CALIFORNIA,
LOS ANGELES

M2 SOFTWARE INC., a corporation,
Plaintiff-Appellant,

v.

VIACOM, INC., a corporation; VIACOM INTERNATIONAL INC., a corporation; MTV NETWORKS COMPANY, a corporation,
Defendants-Appellees.

[Filed April 26, 2007]

ORDER

Before GIBSON,* FISHER, and CALLAHAN, Circuit Judges.

The panel has voted to deny the petition for panel rehearing. Judge Fisher and Judge Callahan have voted to deny the petition for rehearing en banc, and Judge Gibson so recommends.

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* The Honorable John R. Gibson, Senior United States Circuit Judge for the Eighth Circuit, sitting by designation.

The full court has been advised of the petition for rehearing en banc and no judge has requested a vote on whether to rehearing the matter en banc. Fed. R. App. P. 35. The petition for panel rehearing and petition for rehearing en banc, filed March 14, 2007, is **DENIED**.

APPENDIX G

Supreme Court of the United States
Office of the Clerk
Washington, DC 20543-0001

William K. Suter
Clerk of the Court
(202) 479-3011

July 17, 2007

Mr. Jeffrey A. Lamken
Baker Botts L.L.P.
1299 Pennsylvania Avenue, N.W.
Washington, DC 20004-2400

Re: M2 Software, Inc.
v. Viacom Inc., et al.
Application No. 07A48

Dear Mr. Lamken:

The application for an extension of time within which to file a petition for a writ of certiorari in the above-entitled case has been presented to Justice Kennedy, who on July 17, 2007 extended the time to and including August 14, 2007.

This letter has been sent to those designated on the attached notification list.

Sincerely,
William K. Suter, Clerk
by /s/ Jeffrey Atkins
Jeffrey Atkins
Supervisor-Case Analyst
Division

APPENDIX H
RELEVANT STATUTORY PROVISISIONS

The Lanham Trademark Act of 1946, codified as 15 U.S.C. § 1051, *et. seq.*, provides as follows:

* * * * *

1. 15 U.S.C. § 1114 provides in relevant part:

§ 1114. Remedies; infringement; innocent infringement by printers and publishers

(1) Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

As used in this paragraph, the term "any person" includes the United States, all agencies and instrumen-

talities thereof, and all individuals, firms, corporations, or other persons acting for the United States and with the authorization and consent of the United States, and any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. The United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, other persons acting for the United States and with the authorization and consent of the United States, and any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this Act in the same manner and to the same extent as any non-governmental entity.

(2) Notwithstanding any other provision of this Act, the remedies given to the owner of a right infringed under this Act or to a person bringing an action under section 1125(a) or (d) of this title shall be limited as follows:

(A) Where an infringer or violator is engaged solely in the business of printing the mark or violating matter for others and establishes that he or she was an innocent infringer or innocent violator, the owner of the right infringed or person bringing the action under section 1125(a) of this title shall be entitled as against such infringer or violator only to an injunction against future printing.

(B) Where the infringement or violation complained of is contained in or is part of paid advertising matter in a newspaper, magazine, or other similar periodical or in an electronic communication as defined in section 2510(12) of title 18, United States Code, the remedies of the owner of the right infringed or person bringing the action under section 1125(a) of this title as against the publisher or distributor of such newspaper, magazine, or other similar periodical or electronic communication shall be limited to an injunction against the presentation of such advertising matter in future is-

sues of such newspapers, magazines, or other similar periodicals or in future transmissions of such electronic communications. The limitations of this subparagraph shall apply only to innocent infringers and innocent violators.

(C) Injunctive relief shall not be available to the owner of the right infringed or person bringing the action under section 1125(a) of this title with respect to an issue of a newspaper, magazine, or other similar periodical or an electronic communication containing infringing matter or violating matter where restraining the dissemination of such infringing matter or violating matter in any particular issue of such periodical or in an electronic communication would delay the delivery of such issue or transmission of such electronic communication after the regular time for such delivery or transmission, and such delay would be due to the method by which publication and distribution of such periodical or transmission of such electronic communication is customarily conducted in accordance with sound business practice, and not due to any method or device adopted to evade this section or to prevent or delay the issuance of an injunction or restraining order with respect to such infringing matter or violating matter.

(D)(i)(I) A domain name registrar, a domain name registry, or other domain name registration authority that takes any action described under clause (ii) affecting a domain name shall not be liable for monetary relief or, except as provided in subclause (II), for injunctive relief, to any person for such action, regardless of whether the domain name is finally determined to infringe or dilute the mark.

(II) A domain name registrar, domain name registry, or other domain name registration authority described in subclause (I) may be subject to injunctive

relief only if such registrar, registry, or other registration authority has—

(aa) not expeditiously deposited with a court, in which an action has been filed regarding the disposition of the domain name, documents sufficient for the court to establish the court's control and authority regarding the disposition of the registration and use of the domain name;

(bb) transferred, suspended, or otherwise modified the domain name during the pendency of the action, except upon order of the court; or

(cc) willfully failed to comply with any such court order.

(ii) An action referred to under clause (i)(I) is any action of refusing to register, removing from registration, transferring, temporarily disabling, or permanently canceling a domain name—

(I) in compliance with a court order under section 1125(d) of this title; or

(II) in the implementation of a reasonable policy by such registrar, registry, or authority prohibiting the registration of a domain name that is identical to, confusingly similar to, or dilutive of another's mark.

(iii) A domain name registrar, a domain name registry, or other domain name registration authority shall not be liable for damages under this section for the registration or maintenance of a domain name for another absent a showing of bad faith intent to profit from such registration or maintenance of the domain name.

(iv) If a registrar, registry, or other registration authority takes an action described under clause (ii) based on a knowing and material misrepresentation by any other person that a domain name is iden-

tical to, confusingly similar to, or dilutive of a mark, the person making the knowing and material misrepresentation shall be liable for any damages, including costs and attorney's fees, incurred by the domain name registrant as a result of such action. The court may also grant injunctive relief to the domain name registrant, including the reactivation of the domain name or the transfer of the domain name to the domain name registrant.

(v) A domain name registrant whose domain name has been suspended, disabled, or transferred under a policy described under clause (ii)(II) may, upon notice to the mark owner, file a civil action to establish that the registration or use of the domain name by such registrant is not unlawful under this Act. The court may grant injunctive relief to the domain name registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant.

(E) As used in this paragraph—

(i) the term "violator" means a person who violates section 1125(a) of this title; and

(ii) the term "violating matter" means matter that is the subject of a violation under section 1125(a) of this title.

(3)(A) Any person who engages in the conduct described in paragraph (11) of section 110 of title 17 and who complies with the requirements set forth in that paragraph is not liable on account of such conduct for a violation of any right under this Act. This subparagraph does not preclude liability, nor shall it be construed to restrict the defenses or limitations on rights granted under this Act, of a person for conduct not described in paragraph (11) of section 110 of title 17, even if that person

also engages in conduct described in paragraph (11) of section 110 of such title.

(B) A manufacturer, licensee, or licensor of technology that enables the making of limited portions of audio or video content of a motion picture imperceptible as described in subparagraph (A) is not liable on account of such manufacture or license for a violation of any right under this Act, if such manufacturer, licensee, or licensor ensures that the technology provides a clear and conspicuous notice at the beginning of each performance that the performance of the motion picture is altered from the performance intended by the director or copyright holder of the motion picture. The limitations on liability in subparagraph (A) and this subparagraph shall not apply to a manufacturer, licensee, or licensor of technology that fails to comply with this paragraph.

(C) The requirement under subparagraph (B) to provide notice shall apply only with respect to technology manufactured after the end of the 180-day period beginning on April 27, 2005.

(D) Any failure by a manufacturer, licensee, or licensor of technology to qualify for the exemption under subparagraphs (A) and (B) shall not be construed to create an inference that any such party that engages in conduct described in paragraph (11) of section 110 of title 17 is liable for trademark infringement by reason of such conduct.

* * * * *

2. 15 U.S.C. § 1116 provides, in relevant part:

§ 1116. Injunctive relief

(a) Jurisdiction; service

The several courts vested with jurisdiction of civil actions arising under this chapter shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office or to prevent a violation under subsection (a), (c), or (d) of section 1125 of this title. Any such injunction may include a provision directing the defendant to file with the court and serve on the plaintiff within thirty days after the service on the defendant of such injunction, or such extended period as the court may direct, a report in writing under oath setting forth in detail the manner and form in which the defendant has complied with the injunction. Any such injunction granted upon hearing, after notice to the defendant, by any district court of the United States, may be served on the parties against whom such injunction is granted anywhere in the United States where they may be found, and shall be operative and may be enforced by proceedings to punish for contempt, or otherwise, by the court by which such injunction was granted, or by any other United States district court in whose jurisdiction the defendant may be found.

(b) Transfer of certified copies of court papers

The said courts shall have jurisdiction to enforce said injunction, as provided in this chapter, as fully as if the injunction had been granted by the district court in which it is sought to be enforced. The clerk of the court or judge granting the injunction shall, when required to do so by the court before which application to enforce said injunction is made, transfer without delay to said court a

certified copy of all papers on file in his office upon which said injunction was granted.

(c) Notice to Director

It shall be the duty of the clerks of such courts within one month after the filing of any action, suit, or proceeding involving a mark registered under the provisions of this chapter to give notice thereof in writing to the Director setting forth in order so far as known the names and addresses of the litigants and the designating number or numbers of the registration or registrations upon which the action, suit, or proceeding has been brought, and in the event any other registration be subsequently included in the action, suit, or proceeding by amendment, answer, or other pleading, the clerk shall give like notice thereof to the Director, and within one month after the judgment is entered or an appeal is taken the clerk of the court shall give notice thereof to the Director, and it shall be the duty of the Director on receipt of such notice forthwith to endorse the same upon the file wrapper of the said registration or registrations and to incorporate the same as a part of the contents of said file wrapper.

(d) Civil actions arising out of use of counterfeit marks

(1)(A) In the case of a civil action arising under section 1114(1)(a) of this title or section 220506 of Title 36 with respect to a violation that consists of using a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services, the court may, upon ex parte application, grant an order under subsection (a) of this section pursuant to this subsection providing for the seizure of goods and counterfeit marks involved in such violation and the means of making such marks, and records documenting the manufacture, sale, or receipt of things involved in such violation.

(B) As used in this subsection the term "counterfeit mark" means—

(i) a counterfeit of a mark that is registered on the principal register in the United States Patent and Trademark Office for such goods or services sold, offered for sale, or distributed and that is in use, whether or not the person against whom relief is sought knew such mark was so registered; or

(ii) a spurious designation that is identical with, or substantially indistinguishable from, a designation as to which the remedies of this chapter are made available by reason of section 220506 of Title 36;

but such term does not include any mark or designation used on or in connection with goods or services of which the manufacture or producer was, at the time of the manufacture or production in question authorized to use the mark or designation for the type of goods or services so manufactured or produced, by the holder of the right to use such mark or designation.

(2) The court shall not receive an application under this subsection unless the applicant has given such notice of the application as is reasonable under the circumstances to the United States attorney for the judicial district in which such order is sought. Such attorney may participate in the proceedings arising under such application if such proceedings may affect evidence of an offense against the United States. The court may deny such application if the court determines that the public interest in a potential prosecution so requires.

(3) The application for an order under this subsection shall—

(A) be based on an affidavit or the verified complaint establishing facts sufficient to support the findings of fact and conclusions of law required for such order; and

(B) contain the additional information required by paragraph (5) of this subsection to be set forth in such order.

(4) The court shall not grant such an application unless—

(A) the person obtaining an order under this subsection provides the security determined adequate by the court for the payment of such damages as any person may be entitled to recover as a result of a wrongful seizure or wrongful attempted seizure under this subsection; and

(B) the court finds that it clearly appears from specific facts that—

(i) an order other than an ex parte seizure order is not adequate to achieve the purposes of section 1114 of this title;

(ii) the applicant has not publicized the requested seizure;

(iii) the applicant is likely to succeed in showing that the person against whom seizure would be ordered used a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services;

(iv) an immediate and irreparable injury will occur if such seizure is not ordered;

(v) the matter to be seized will be located at the place identified in the application;

(vi) the harm to the applicant of denying the application outweighs the harm to the legitimate interests of the person against whom seizure would be ordered of granting the application; and

(vii) the person against whom seizure would be ordered, or persons acting in concert with such person, would destroy, move, hide, or otherwise make

such matter inaccessible to the court, if the applicant were to proceed on notice to such person.

(5) An order under this subsection shall set forth—

(A) the findings of fact and conclusions of law required for the order;

(B) a particular description of the matter to be seized, and a description of each place at which such matter is to be seized;

(C) the time period, which shall end not later than seven days after the date on which such order is issued, during which the seizure is to be made;

(D) the amount of security required to be provided under this subsection; and

(E) a date for the hearing required under paragraph (10) of this subsection.

(6) The court shall take appropriate action to protect the person against whom an order under this subsection is directed from publicity, by or at the behest of the plaintiff, about such order and any seizure under such order.

(7) Any materials seized under this subsection shall be taken into the custody of the court. The court shall enter an appropriate protective order with respect to discovery by the applicant of any records that have been seized. The protective order shall provide for appropriate procedures to assure that confidential information contained in such records is not improperly disclosed to the applicant.

(8) An order under this subsection, together with the supporting documents, shall be sealed until the person against whom the order is directed has an opportunity to contest such order, except that any person against whom such order is issued shall have access to such order and supporting documents after the seizure has been carried out.

(9) The court shall order that service of a copy of the order under this subsection shall be made by a Federal

law enforcement officer (such as a United States marshal or an officer or agent of the United States Customs Service, Secret Service, Federal Bureau of Investigation, or Post Office) or may be made by a State or local law enforcement officer, who, upon making service, shall carry out the seizure under the order. The court shall issue orders, when appropriate, to protect the defendant from undue damage from the disclosure of trade secrets or other confidential information during the course of the seizure, including, when appropriate, orders restricting the access of the applicant (or any agent or employee of the applicant) to such secrets or information.

(10)(A) The court shall hold a hearing, unless waived by all the parties, on the date set by the court in the order of seizure. That date shall be not sooner than ten days after the order is issued and not later than fifteen days after the order is issued, unless the applicant for the order shows good cause for another date or unless the party against whom such order is directed consents to another date for such hearing. At such hearing the party obtaining the order shall have the burden to prove that the facts supporting findings of fact and conclusions of law necessary to support such order are still in effect. If that party fails to meet that burden, the seizure order shall be dissolved or modified appropriately.

(B) In connection with a hearing under this paragraph, the court may make such orders modifying the time limits for discovery under the Rules of Civil Procedure as may be necessary to prevent the frustration of the purposes of such hearing.

(11) A person who suffers damage by reason of a wrongful seizure under this subsection has a cause of action against the applicant for the order under which such seizure was made, and shall be entitled to recover such relief as may be appropriate, including damages for lost profits, cost of materials, loss of good will, and punitive

damages in instances where the seizure was sought in bad faith, and, unless the court finds extenuating circumstances, to recover a reasonable attorney's fee. The court in its discretion may award prejudgment interest on relief recovered under this paragraph, at an annual interest rate established under section 6621(a)(2) of Title 26, commencing on the date of service of the claimant's pleading setting forth the claim under this paragraph and ending on the date such recovery is granted, or for such shorter time as the court deems appropriate.

* * * * *

3. 15 U.S.C. § 1117 provides in relevant part:

§ 1117. Recovery for violation of rights.

(a) Profits; damages and costs; attorney fees

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

(b) Treble damages for use of counterfeit mark

In assessing damages under subsection (a) of this section, the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever is greater, together with a reasonable attorney's fee, in the case of any violation of

section 1114(1)(a) of this title or section 220506 of Title 36 that consists of intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark (as defined in section 1116(d) of this title), in connection with the sale, offering for sale, or distribution of goods or services. In such cases, the court may in its discretion award prejudgment interest on such amount at an annual interest rate established under section 6621(a)(2) of Title 26, commencing on the date of the service of the claimant's pleadings setting forth the claim for such entry and ending on the date such entry is made, or for such shorter time as the court deems appropriate.

(c) Statutory damages for use of counterfeit marks

In a case involving the use of a counterfeit mark (as defined in section 1116(d) of this title) in connection with the sale, offering for sale, or distribution of goods or services, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits under subsection (a) of this section, an award of statutory damages for any such use in connection with the sale, offering for sale, or distribution of goods or services in the amount of—

(1) not less than $500 or more than $100,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just; or

(2) if the court finds that the use of the counterfeit mark was willful, not more than $1,000,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just.

(d) Statutory damages for violation of section 1125(d)(1)

In a case involving a violation of section 1125(d)(1) of this title, the plaintiff may elect, at any time before final

judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than $1,000 and not more than $100,000 per domain name, as the court considers just.

(e) Rebuttable presumption of willful violation

In the case of a violation referred to in this section, it shall be a rebuttable presumption that the violation is willful for purposes of determining relief if the violator, or a person acting in concert with the violator, knowingly provided or knowingly caused to be provided materially false contact information to a domain name registrar, domain name registry, or other domain name registration authority in registering, maintaining, or renewing a domain name used in connection with the violation. Nothing in this subsection limits what may be considered a willful violation under this section.

* * * * *

4. 15 U.S.C. § 1117 (1994) provided in relevant part (before amendment in 1999):

§ 1117. Recovery for violation of rights; profits, damages and costs; attorney fees; treble damages; election

(a) When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, or a violation under section 1125(a) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

(b) In assessing damages under subsection (a) of this section, the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever is greater, together with a reasonable attorney's fee, in the case of any violation of

section 1114(1)(a) of this title or section 380 of Title 36 that consists of intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark (as defined in section 1116(d) of this title), in connection with the sale, offering for sale, or distribution of goods or services. In such cases, the court may in its discretion award prejudgment interest on such amount at an annual interest rate established under section 6621 of Title 26, commencing on the date of the service of the claimant's pleadings setting forth the claim for such entry and ending on the date such entry is made, or for such shorter time as the court deems appropriate.

(c) In a case involving the use of a counterfeit mark (as defined in section 1116(d) of this title) in connection with the sale, offering for sale, or distribution of goods or services, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits under subsection (a) of this section, an award of statutory damages for any such use in connection with the sale, offering for sale, or distribution of goods or services in the amount of—

(1) not less than $500 or more than $100,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just; or

(2) if the court finds that the use of the counterfeit mark was willful, not more than $1,000,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just.

* * * * *

5. 15 U.S.C. § 1125 provides as follows:

§ 1125. False designations of origin, false descriptions, and dilution forbidden

(a) Civil action

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

(2) As used in this subsection, the term "any person" includes any State, instrumentality of a State or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

(3) In a civil action for trade dress infringement under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional.

(b) Importation

Any goods marked or labeled in contravention of the provisions of this section shall not be imported into the United States or admitted to entry at any customhouse of the United States. The owner, importer, or consignee of goods refused entry at any customhouse under this section may have any recourse by protest or appeal that is given under the customs revenue laws or may have the remedy given by this chapter in cases involving goods refused entry or seized.

(c) Dilution by blurring; dilution by tarnishment

(1) Injunctive relief

Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.

(2) Definitions

(A) For purposes of paragraph (1), a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner. In determining whether a mark possesses the requisite degree of recognition, the court may consider all relevant factors, including the following:

> (i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.
>
> (ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.

(iii) The extent of actual recognition of the mark.

(iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

(B) For purposes of paragraph (1), "dilution by blurring" is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark. In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following:

(i) The degree of similarity between the mark or trade name and the famous mark.

(ii) The degree of inherent or acquired distinctiveness of the famous mark.

(iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.

(iv) The degree of recognition of the famous mark.

(v) Whether the user of the mark or trade name intended to create an association with the famous mark.

(vi) Any actual association between the mark or trade name and the famous mark.

(C) For purposes of paragraph (1), "dilution by tarnishment" is association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.

(3) Exclusions

The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:

(A) Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services, including use in connection with—

(i) advertising or promotion that permits consumers to compare goods or services; or

(ii) identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.

(B) All forms of news reporting and news commentary.

(C) Any noncommercial use of a mark.

(4) Burden of proof

In a civil action for trade dress dilution under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that—

(A) the claimed trade dress, taken as a whole, is not functional and is famous; and

(B) if the claimed trade dress includes any mark or marks registered on the principal register, the unregistered matter, taken as a whole, is famous separate and apart from any fame of such registered marks.

(5) Additional remedies

In an action brought under this subsection, the owner of the famous mark shall be entitled to injunctive relief as set forth in section 1116 of this title. The owner of the famous mark shall also be entitled to the remedies set forth in sections 1117(a) and 1118 of this title, subject to the discretion of the court and the principles of equity if—

(A) the mark or trade name that is likely to cause dilution by blurring or dilution by tarnishment was

first used in commerce by the person against whom the injunction is sought after October 6, 2006; and

(B) in a claim arising under this subsection—

(i) by reason of dilution by blurring, the person against whom the injunction is sought willfully intended to trade on the recognition of the famous mark; or

(ii) by reason of dilution by tarnishment, the person against whom the injunction is sought willfully intended to harm the reputation of the famous mark.

(6) Ownership of valid registration a complete bar to action

The ownership by a person of a valid registration under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register under this chapter shall be a complete bar to an action against that person, with respect to that mark, that—

(A)(i) is brought by another person under the common law or a statute of a State; and

(ii) seeks to prevent dilution by blurring or dilution by tarnishment; or

(B) asserts any claim of actual or likely damage or harm to the distinctiveness or reputation of a mark, label, or form of advertisement.

(7) Savings clause

Nothing in this subsection shall be construed to impair, modify, or supersede the applicability of the patent laws of the United States.

(d) Cyberpiracy prevention

(1)(A) A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if, without regard to the goods or services of the parties, that person—

(i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and

(ii) registers, traffics in, or uses a domain name that—

(I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark;

(II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; or

(III) is a trademark, word, or name protected by reason of section 706 of Title 18 or section 220506 of Title 36.

(B)(i) In determining whether a person has a bad faith intent described under subparagraph (a), a court may consider factors such as, but not limited to—

(I) the trademark or other intellectual property rights of the person, if any, in the domain name;

(II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;

(III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;

(IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;

(V) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creat-

ing a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;

(VI) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person's prior conduct indicating a pattern of such conduct;

(VII) the person's provision of material and misleading false contact information when applying for the registration of the domain name, the person's intentional failure to maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct;

(VIII) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and

(IX) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection (c) of this section.

(ii) Bad faith intent described under subparagraph (A) shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.

(C) In any civil action involving the registration, trafficking, or use of a domain name under this paragraph, a court may order the forfeiture or cancellation of the do-

main name or the transfer of the domain name to the owner of the mark.

(D) A person shall be liable for using a domain name under subparagraph (A) only if that person is the domain name registrant or that registrant's authorized licensee.

(E) As used in this paragraph, the term "traffics in" refers to transactions that include, but are not limited to, sales, purchases, loans, pledges, licenses, exchanges of currency, and any other transfer for consideration or receipt in exchange for consideration.

(2)(A) The owner of a mark may file an in rem civil action against a domain name in the judicial district in which the domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain name is located if—

(i) the domain name violates any right of the owner of a mark registered in the Patent and Trademark Office, or protected under subsection (a) or (c) of this section; and

(ii) the court finds that the owner—

(I) is not able to obtain in personam jurisdiction over a person who would have been a defendant in a civil action under paragraph (1); or

(II) through due diligence was not able to find a person who would have been a defendant in a civil action under paragraph (1) by—

(aa) sending a notice of the alleged violation and intent to proceed under this paragraph to the registrant of the domain name at the postal and e-mail address provided by the registrant to the registrar; and

(bb) publishing notice of the action as the court may direct promptly after filing the action.

(B) The actions under subparagraph (A)(ii) shall constitute service of process.

(C) In an in rem action under this paragraph, a domain name shall be deemed to have its situs in the judicial district in which—

(i) the domain name registrar, registry, or other domain name authority that registered or assigned the domain name is located; or

(ii) documents sufficient to establish control and authority regarding the disposition of the registration and use of the domain name are deposited with the court.

(D)(i) The remedies in an in rem action under this paragraph shall be limited to a court order for the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark. upon receipt of written notification of a filed, stamped copy of a complaint filed by the owner of a mark in a United States district court under this paragraph, the domain name registrar, domain name registry, or other domain name authority shall—

(I) expeditiously deposit with the court documents sufficient to establish the court's control and authority regarding the disposition of the registration and use of the domain name to the court; and

(II) not transfer, suspend, or otherwise modify the domain name during the pendency of the action, except upon order of the court.

(ii) The domain name registrar or registry or other domain name authority shall not be liable for injunctive or monetary relief under this paragraph except in the case of bad faith or reckless disregard, which includes a willful failure to comply with any such court order.

(3) The civil action established under paragraph (1) and the in rem action established under paragraph (2), and any remedy available under either such

action, shall be in addition to any other civil action or remedy otherwise applicable.

(4) The in rem jurisdiction established under paragraph (2) shall be in addition to any other jurisdiction that otherwise exists, whether in rem or in personam.

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6. 15 U.S.C. § 1125(c) (1994 ed., Supp. I (1995), & 2000 ed.) provided in relevant part (before amendment in 2006):

* * * * *

(c) Remedies for dilution of famous marks

(1) The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection. In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to—

(A) the degree of inherent or acquired distinctiveness of the mark;

(B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;

(C) the duration and extent of advertising and publicity of the mark;

(D) the geographical extent of the trading area in which the mark is used;

(E) the channels of trade for the goods or services with which the mark is used;

(F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought;

(G) the nature and extent of use of the same or similar marks by third parties; and

(H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

(2) In an action brought under this subsection, the owner of the famous mark shall be entitled only injuntive relief as set forth in section 1116 of this title unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark. If such willful intent is proven, the owner of the famous mark shall also be entitled to the remedies set forth in sections 1117(a) and 1118 of this title, subject to the discretion of the court and the principles of equity.

(3) The ownership by a person of a valid registration under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register shall be a complete bar to an action against that person, with respect to that mark, that is brought by another person under the common law or a statute of a State and that seeks to prevent dilution of the distinctiveness of a mark, label, or form of advertisement.

(4) The following shall not be actionable under this section:

(A) Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark.

(B) Noncommercial use of a mark.

(C) All forms of news reporting and news commentary.

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